

*Towards*

# A DEVELOPED ECONOMY

*defining moments*

Atal Bihari Vajpayee



A3→R4

ज. देशमुख पुस्तकालय  
462



TOWARDS A DEVELOPED ECONOMY  
DEFINING MOMENTS



# **TOWARDS A DEVELOPED ECONOMY DEFINING MOMENTS**

**ATAL BIHARI VAJPAYEE**



**PUBLICATIONS DIVISION**  
**MINISTRY OF INFORMATION AND BROADCASTING**  
**GOVERNMENT OF INDIA**  
CC-0. Nanaji Deshmukh Library, BJP, Jammu. Digitized by eGangotri

2004 (Saka 1925)

© Atal Bihari Vajpayee

ISBN : 81-230-1177-6

Price : Rs. 150.00

Published by The Director, Publications Division,  
Ministry of Information and Broadcasting,  
Government of India, Patiala House, New Delhi-110 001

Website: <http://www.publicationsdivision.nic.in>

### CONCEPT AND EDITING :

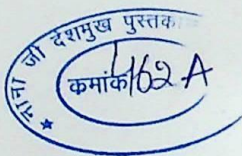
Prof. Umakant Mishra

Smita Vats Sharma

Manoj Gupta

### PRODUCTION :

D.N. Gandhi



### COVER DESIGN :

Asha Saxena

**Sales Emporia (Publications Division) :** ● Patiala House, Tilak Marg, New Delhi-110 001 (Ph. 23386096) ● 1st Floor, Sookna Bhavan, C.G.O. Complex, Lodhi Road, New Delhi-110003 (Ph. 24365610) ● Hall No. 196, Old Secretariat, Delhi-110054 (Ph. 23890205) ● Commerce House, Currimbhoy Road, Ballard Pier, Mumbai-400038 (Ph. 22610081) ● 8, Esplanade East, Kolkata-700069 (Ph. 22488030) ● Block No. 4, First Floor, Gruhakalpa Complex, M.J. Road, Nampally Hyderabad-500001 (Ph. 24605383) ● 1st Floor, Hall No. 1 Kendriya Bhawan, Sector H, Aliganj Lucknow-226024 (Ph. 2325455) ● 'A' Wing, F-Block, Ground Floor, Rajaji Bhawan, Besant Nagar, Chennai-600090 (Ph. 24917673) ● Bihar State Co-operative Bank Building, Ashoka Rajpath, Patna-800004 (Ph. 2301823) ● Press Road, Near Govt. Press, Thiruvananthapuram-695001 (Ph. 2330650) ● Ambica Complex, 1st Floor, Paldi, Ahmedabad-380007 (Ph. 26588669) ● 1st Floor, 'F' Wing, Kendriya Sadan, Koramangala, Bangalore-560034 (Ph. 25537244) ● Naujan Road, Ujan Bazar, Guwahati-781001 (Ph. 2516792) ● C/o PIB, C.G.O. Complex, 'A' Wing, A.B. Road, Indore (M.P.) (Ph. 2494193) ● C/o PIB, 80, Malviya Nagar, Bhopal-462003 (M.P.) (Ph. 2556350) ● C/o PIB, B-7/B, Bhawani Singh Marg, Jaipur-302001 (Rajasthan) (Ph. 2384483)

## **PUBLISHER'S NOTE**

This volume contains selected speeches of Prime Minister Atal Bihari Vajpayee highlighting the phenomenal growth of the Indian economy in recent years and the country's strides towards becoming a developed economy. The speeches have been classified thematically in each chapter and not based on chronological sequence. The objective is to present to discerning readers, a glimpse into the structured thoughts and policy formulations at the highest level of the government of India, on the emerging Big Picture of the Indian economy, as the new millennium unfolds.

1. The first part of the paper is devoted to a general discussion of the problem of the origin of life. It is shown that the problem is one of the most important and most difficult problems in the history of science. The author discusses the various theories of the origin of life, and shows that the most plausible theory is that of spontaneous generation. This theory is based on the fact that life is a complex of many different parts, and that these parts are all derived from a common ancestor. The author shows that this theory is supported by the facts of the history of life, and that it is the only theory that can account for the complexity of life.

2. The second part of the paper is devoted to a discussion of the problem of the evolution of life. It is shown that the problem is one of the most important and most difficult problems in the history of science. The author discusses the various theories of the evolution of life, and shows that the most plausible theory is that of natural selection. This theory is based on the fact that life is a complex of many different parts, and that these parts are all derived from a common ancestor. The author shows that this theory is supported by the facts of the history of life, and that it is the only theory that can account for the complexity of life.

3. The third part of the paper is devoted to a discussion of the problem of the origin of the human race. It is shown that the problem is one of the most important and most difficult problems in the history of science. The author discusses the various theories of the origin of the human race, and shows that the most plausible theory is that of spontaneous generation. This theory is based on the fact that life is a complex of many different parts, and that these parts are all derived from a common ancestor. The author shows that this theory is supported by the facts of the history of life, and that it is the only theory that can account for the complexity of life.

4. The fourth part of the paper is devoted to a discussion of the problem of the evolution of the human race. It is shown that the problem is one of the most important and most difficult problems in the history of science. The author discusses the various theories of the evolution of the human race, and shows that the most plausible theory is that of natural selection. This theory is based on the fact that life is a complex of many different parts, and that these parts are all derived from a common ancestor. The author shows that this theory is supported by the facts of the history of life, and that it is the only theory that can account for the complexity of life.

# CONTENTS

	Page
<b>I. OVERALL ECONOMIC SCENARIO</b>	
RURAL PROSPERITY—KEY TO NATIONAL DEVELOPMENT	3
<i>English rendering of the speech in Hindi at the National Conference of the State Ministers of Rural Development, Panchayati Raj and Public Works, New Delhi, 27 January 2003</i>	
MAKING DEVELOPMENT A PEOPLE'S MOVEMENT	10
<i>Opening remarks at the 50th Meeting of the National Development Council, New Delhi, 21 December 2002</i>	
A COMMON APPROACH TO NATIONAL ISSUES	16
<i>Inaugural address at the 8<sup>th</sup> meeting of the Inter-State Council, Srinagar, 27 August 2003</i>	
INDIAN ECONOMY ON A PATH OF SUSTAINABLE DEVELOPMENT	21
<i>Opening remarks at the meeting of Council on Trade and Industry, New Delhi, 7 September 2001</i>	
THE FOCUS OF TENTH PLAN — GOOD GOVERNANCE	27
<i>Opening address at the 49th National Development Council Meeting, New Delhi, 1 September 2001</i>	
<b>II. UPWARD TRENDS</b>	
REFORM DRIVEN DEVELOPMENT	39
<i>Speech at the inauguration of the Platinum Jubilee Celebrations of FICCI, New Delhi, 13 December 2002</i>	

MAKING TENTH PLAN A PEOPLE'S PLAN	45
<i>Opening remarks at the full Planning Commission Meeting, New Delhi, 5 October 2002</i>	

ECONOMIC AGENDA FOR GROWTH AND DEVELOPMENT	51
<i>Opening remarks at the Economic Advisory Council, New Delhi, 13 July 2002</i>	

SUSTAINABLE GDP GROWTH	56
<i>Keynote address at the CII Plenary Session, New Delhi, 27 April 2002</i>	

### III. INFRASTRUCTURE AND SERVICES

PROMOTING TOURISM IN ASIA-PACIFIC REGION	65
<i>Speech while inaugurating the 51st Pacific Asia Travel Association (PATA) Annual Conference, New Delhi, 15 April 2002</i>	

REVITALIZE THE COOPERATIVE INSTITUTIONS	71
<i>Speech at the Conference of Chief Ministers on Recommendations of the Task Force on Cooperative Credit System and RIDF, New Delhi, 25 August 2001</i>	

INDIA IN THE GLOBAL MAP OF BUSINESS SCHOOLS	76
<i>Speech at the Indian School of Business, Hyderabad, 2 December 2001</i>	

INDIA - A PARADISE FOR GLOBAL INVESTORS	82
<i>Speech while inaugurating Global Investors' Meet, New Delhi, 18 January 2003</i>	

STRATEGIES FOR ENERGY CONSERVATION	88
<i>Speech at the International Conference on Strategies for Energy Conservation in the New Millennium, New Delhi, 23 August 2002</i>	

SPEEDING UP ISLAND DEVELOPMENT	92
<i>Address at the Tenth Meeting of the Island Development Authority, Port Blair, 19 January 2003</i>	

A WORKABLE ACTION PLAN FOR SMALL-SCALE SECTOR	96
--	----

*Speech at the Global Summit on Small and Medium  
Enterprises, New Delhi, 20 December 2002*

#### IV. TOWARDS SUSTAINABLE DEVELOPMENT

SPECIAL FOCUS ON SUSTAINABLE DEVELOPMENT	103
--	-----

*Speech at the Delhi Sustainable Development Summit,  
New Delhi, 8 February 2002*

INTERLINKING OF RIVERS : A MAJOR TASK AHEAD	108
---	-----

*Speech while launching the Fresh Water Year : 2003,  
New Delhi, 5 February 2003*

LET US CREATE A NEW FUTURE	112
----------------------------	-----

*Excerpts from the English rendering of the Independence  
Day Speech, Delhi, 15 August 2002*

FACING CHALLENGES THROUGH COLLECTIVE ACTION	118
---	-----

*Excerpts from the English rendering of the Independence  
Day speech, Delhi, 15 August 2001*

TOWARDS ALL-ROUND DEVELOPMENT OF THE NORTH-EAST	125
--	-----

*Excerpts from the speech at the Civic Reception in his  
honour, Kohima, 28 October 2003*

BANISHING POVERTY FOR SUSTAINABLE DEVELOPMENT	129
--	-----

*Excerpts from the Keynote address at the India Today  
Conclave, New Delhi, 12 March 2004*

#### V. WTO REGIME AND GLOBAL TRADE

INDIA'S ECONOMIC OUTLOOK AND PERSPECTIVES	135
---	-----

*Speech at the Columbia University, New York,  
24 September. 2003*

NAM : ADDRESSING THE CHALLENGE OF GLOBALISATION	141
<i>Speech at NAM Business Forum, Kuala Lumpur, 23 February 2003</i>	
CREATING A DYNAMIC INDIA-EU ECONOMIC PARTNERSHIP	147
<i>Speech at the Special Plenary Session of Fourth India-EU Business Summit, New Delhi, 29 November 2003</i>	
USA-INDIA—NEW TRADE INITIATIVES	152
<i>Speech at the US-India Business Summit, New York, 13 September 2000</i>	
NEW OPPORTUNITIES FOR GLOBAL INVESTMENT	158
<i>Speech at the Chamber of Commerce, Tehran, 12 April 2001</i>	
CONCERNS OF DEVELOPING NATIONS IN THE WTO REGIME	163
<i>Speech at the International Conference on "Concerns of Developing Nations in the WTO Regime", New Delhi, 20 August 2001</i>	
SHARING THE SAME LANGUAGE OF TRADE	168
<i>Speech at the India Business Forum, Singapore, 8 April 2002</i>	
PROMOTING ECONOMIC INTEGRATION BETWEEN INDIA AND ASEAN	174
<i>Address while inaugurating the first India-ASEAN Business Summit, New Delhi, 17 October 2002</i>	
TOWARDS A VIBRANT INDO-RUSSIAN ECONOMIC RELATIONSHIP	180
<i>Address at the Joint Meeting of Indian and Russian Businesspersons, Moscow, 13 November 2003</i>	

## VI. MISCELLANEOUS

TOWARDS A HUNGER FREE INDIA	189
<i>Speech while inaugurating the Consultation on "Towards a Hunger Free India," New Delhi, 24 April 2001</i>	
REFORM IN CRITICAL SECTORS OF ECONOMY	194
<i>Opening remarks at the Meeting of Council on Trade and Industry, New Delhi, 10 July 2002</i>	
HEALTHY CAPITAL MARKET — THE PULSE OF A GROWING ECONOMY	199
<i>Inaugural address at the Securities Market Awareness Campaign, New Delhi, 17 January 2003</i>	
CARING FOR WOMEN	203
<i>Inaugural speech at the "Gender Poverty Summit", New Delhi, 9 November 2003</i>	
PRAVASI BHARATIYA - A CATALYST FOR RAPID CHANGE	208
<i>Excerpts from inaugural speech of Pravasi Bhartiya Divas, New Delhi, 9 January 2003</i>	



# **OVERALL ECONOMIC SCENARIO**

OVERALL ECONOMIC  
SCENARIO

## Rural Prosperity—Key to National Development

I am very happy to be with you at this Conference in which all of you have gathered to review the implementation of the various rural development projects and programmes in the country. I commend Shri Shanta Kumarji, the Union Rural Development Minister for this important initiative.

Rural Development is the main pillar of the Nation's development. The reasons for this are obvious. In spite of rapid urbanisation, a large section of our population still lives in villages. Secondly, rural India has lagged behind in development because of many historical factors. We believe in removing these developmental imbalances. We do not want the gap between "India" and "Bharat" to widen further. There is yet another reason, which shows that national development is not possible without rapid rural development. The Tenth Five Year Plan, which was adopted at last month's meeting of the National Developmental Council, has emphasized that growth demand in the Indian economy cannot raise speedily without a rapid increase in the purchasing power of the majority of our population. Without this our development would continue to be slow and it will be difficult for us to reach the goal of 8 per cent GDP growth annually.

Even at today's growth rate, the demand for many industrial and consumer goods has been rising significantly in rural areas. This only shows that there are many parts of rural India, and many sections of rural society, which are becoming prosperous. When this picture of prosperity covers all of rural India, and all

sections of rural society, it will give a tremendous boost to the Indian economy, besides making its growth sustainable. Many areas of rural India today exhibit impressive manifestations of development. These are in Punjab, Haryana, Western Uttar Pradesh, and several parts of Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu and other States. Here we see good roads, good houses, and a good infrastructure of schools and healthcare centres. We also see manifestations of modern agriculture and agro-based small and big industries using latest advances of Science and Technology.

The successes of rapidly developing rural India are many. One of them is that India has become self-sufficient in food production. Indeed, we exported foodgrain worth Rs. 6,400 crore last year to 25 countries. Today India is number one in milk production. We are number two in rice export and number five in wheat export in the world. These examples show the limitless potential and possibilities of development in rural India. If we turn these possibilities into reality, we can indeed change the destiny of India.

At the same time, the other face of rural India is also not hidden from anybody. Even today there are as many as 1,60,000 villages which are not connected with good roads. Even today 60 per cent of rural households have no electricity. There are thousands of villages without proper facilities for primary education and primary healthcare. There are still many villages where people have to walk several kilometres to fetch water. We want to change this reality.

This is not merely our intention, it is our firm resolve. This resolve has produced many concrete initiatives in the past few years. The *Pradhan Mantri Gram Sadak Yojana* is one such unprecedented initiative under which we want to connect all the villages in our country with good, all-weather roads. This will entail an investment of Rs. 60,000 crore. Initially, some people expressed doubt and asked — “Where is the money to implement this huge project?” Similar doubt had also been expressed about the National Highway Development Project.

However, no one expresses such skepticism now. This is because people know that what we said was not merely a promise but is fast becoming a reality on the ground. The four corners of our country are being connected with world-class highways. As many as 2.5 lakh construction workers are engaged in this project daily. Ten thousand supervisors are working day and night. A substantial part of this project is expected to be completed before the end of this year.

Our dream is not only to build world-class highways in India but also to create a network of good roads all over rural India. I am told that the Union Rural Development Ministry has so far sanctioned projects worth 7,000 crore rupees and that over 10,000 rural roads have already been constructed. I assure you today that there will be no shortage of funds for the timely implementation of this project. Our goal is to complete it by 2007. I would like this goal to be met without any slippage.

Here I must express my concern over one important matter. The Centre provides funds for this project, but its implementation is the responsibility of the concerned State Governments. I am told that the project is not moving as fast it should in several States. I would like your Conference to think about this matter seriously and take necessary steps for improving implementation.

Today the attention of crores of our rural brethren is focused on this ambitious project. Therefore, I urge Shri Shanta Kumarji and his Ministry to seriously think of how to speed up its implementation. Can we take some new initiatives for accelerating it? Can we increase the involvement of the private sector? Can we apply the good lessons that we have learnt from the implementation of the National Highway Development Project? Most importantly, how can we better ensure the quality and maintenance of the roads built under this project?

Employment generation is today one of the biggest challenges before our country. In the past few years we have taken several big initiatives for creating productive employment in rural India, as is evident from the Rs. 10,000-crore *Sampoorna Grameen Rozgar Yojana* and the *Swarna Jayanti Grameen Swarozgar*

*Yojana*. Under the *Sampoorna Grameen Rozgar Yojana* we are giving food grain worth Rs. 5,000 crore to State Governments. With this, a large number of "Food for work" programmes can be undertaken to create durable rural assets.

I would like to know how this project is being implemented in different States. Are there any difficulties in its implementation? If there are, how can we remove them? At the same time, I expect the Union Rural Development Ministry to collect information about all the instances of good work being done under this project and to give it wide publicity. I am told that the *Swarna Jayanti Grameen Swarozgar Yojana* is showing good results in many States. As many as eleven lakh self help groups have been formed. Many of these are founded and run by rural women. This programme has immense potential for making rural people self-reliant and to increase rural-incomes by creating opportunities for employment and self-employment at the local level. I would like that success stories under the programme from different States be collected and given wide publicity.

Housing is yet another priority for us in rural development. It also has huge employment potential. Today housing construction, both in urban and rural areas, has picked up unprecedented speed. However, we need to further accelerate its pace. Our goal is to ensure "Shelter for All" by 2010. I am happy that your Conference will review the progress for rural housing programmes.

Scarcity of water is assuming serious proportions all over the country. This problem is not confined to India alone, it has become a global challenge. This year drought made the situation more difficult for us. All of you know the concrete initiatives that the Centre has taken to provide relief to *kisans* and other people in drought-hit States. In spite of 14 States coming under the spell of drought this year, we have not allowed the prices of essential commodities to rise. Soon summer will set in. The Centre and the States should work together to take necessary steps to effectively deal with the situation likely to emerge in summer months. In particular, I would urge all concerned to ensure that adequate provision for fodder and drinking water for cattle is made.

Last month, we launched an important scheme to deal with the problem of drinking water. I was especially pleased that I could directly speak to villagers in many States through video-conferencing. I must admit that I too was enthused by the enthusiasm of the villagers. This programme is unique in two respects. The beneficiary villagers are required to contribute 10 per cent of the project cost. I am told that people in thousands of villages have already started collecting their contributions to benefit from this scheme. This shows that our people are prepared to bear a part of the cost of the various governmental schemes and programmes. This establishes a sense of ownership among them and helps in proper implementation.

I am pleased with yet another aspect of *Swajaldhara* scheme. The Union Rural Development Ministry has made Panchayati Raj Institutions (PRIs) responsible for its implementation. This is a new trend under which the Centre is providing Panchayats the necessary resources as well as giving them the responsibility of implementation.

I congratulate Shri Shanta Kumarji for bringing yet another new scheme called 'Yojana Haryali' just one month after the launch of *Swajaldhara*. India is facing a severe water problem not because we do not have adequate sources of water; not because we receive less rainfall. Lord Indra has been very kind to us. The problem lies in our inability to conserve all the rainwater. It lies in our failure to take good care of our traditional sources of water. We now have to reverse this trend. We have to start a big drive for the revival, renovation and maintenance of all the available sources of water. We have to make necessary policy changes for the rapid expansion of use of techniques like drip irrigation. There is a lot of wastage of water in our canals. It also leads to soil degradation. This has to be stopped. In short, we have to save every drop of water. We have to make water conservation into a People's Movement.

Under watershed management, our villages can take up many small works to conserve water for drinking, irrigation, fisheries and afforestation. This will not only add "Haryali" to the rural CC-0. Nanaji Deshmukh Library, BJP, Jammu. Digitized by eGangotri

landscape, but also create new employment opportunities for the rural poor. I am happy to know that this programme also is going to be implemented by Panchayati Raj Institutions with people's contribution and participation. As you are aware we have recently set up a Task Force to prepare a blueprint for linking our rivers. I would like to emphasize that there is no contradiction between this mega project and the thousands of small and micro water conservation projects envisaged under the new scheme. Indeed, the two are complementary to each other.

The Centre and State Governments have to work together to make our Panchayati Raj Institutions stronger. For this purpose, the late Shri Rajiv Gandhi introduced the historic 73rd and 74th Amendments to the Constitution ten years ago. However, thereafter, necessary steps were not taken to devolve financial and administrative powers to PRIs. Last year, I attended a national conference of the Adhyakshas of PRIs in which the delegates unanimously passed a resolution demanding a new Constitutional Amendment for effective empowerment of PRIs. If all the political parties agree, the Centre is prepared to take a constructive step in this direction. Even the 10th Plan document has stressed that the responsibility of running rural schools and rural health centres be transferred to PRIs. I hope that your Conference will consider this matter seriously.

I would like to place special emphasis on one more matter. It is the need to conduct a comprehensive and regular review of the implementation of all our rural development programmes, be they run by the Centre or State Governments. We have to learn appropriate lessons from our successes as well as failures in this context.

As far as failures are concerned, it is obvious that the reasons lie less in the shortage of funds and more in the flaws in implementation. And as far as success is concerned, it is equally obvious that people's participation and the involvement of non-governmental organisations have always proved helpful in effective implementation. There are thousands of voluntary organisations in our country that are willing to work closely with the Government

and thus make their contribution to rural development. We have to ensure increased participation of such organisations.

One last point. Regular monitoring is critical for the evaluation and timely implementation of all our programmes. However, it is often seen that those who are engaged in implementing rural development programmes are also given the task of monitoring them. This is not right. It does not give us a true picture of what is happening on the ground. I would like your Conference to discuss this matter and think of remedial measures.

With these words, I am pleased to inaugurate this important Conference and extend my best wishes for its success. ☐

## Making Development a People's Movement

I welcome you all to this 50th meeting of the National Development Council (NDC). This is an important occasion, not only because it marks the Golden Jubilee of NDC Meetings, but also as an opportunity for us to recall that we have been wedded to achieving India's all-round development through economic planning within a democratic set-up.

You will recall that just a year ago, we had shared a common vision of the Indian economy growing at a rate by which we would be able to double the per capita income of our people within ten years. I felt then, and continue to feel today, that our country has the potential, both in terms of human and physical resources, to perform substantially better than it has done in the past. It was a matter of great satisfaction that the NDC approved the Approach Paper to the Tenth Plan unanimously. We shared and affirmed our belief in the potential of our country to achieve an 8 per cent average annual growth during the Tenth Plan period.

The Approach Paper made it clear that the task would not be an easy one. It urged all of us to realise that this task would be fulfilled only if all of us, regardless of the political diversity reflected in the Governments at the Centre and in States, showed unity of purpose and expanded the area of consensus. The rate of growth of our labour force during the coming years will be such that unless we accelerate economic growth, there will be a worrisome increase in the level of unemployment during the Tenth Plan period. We cannot allow such a situation to develop.

We have also committed ourselves to bringing about significant improvements in social indicators, especially in education and health. The National Human Development Report has held a mirror to our conscience, which we cannot ignore. In this context, I would like to emphasise that there is no need to be skeptical; there is no need to wonder whether it is at all feasible for us to climb from the growth rate of 5.5 per cent last year to 8 per cent during the Tenth Plan. Our economy has shown great resilience in the face of adversity — both domestic and global. Already, trends of revival and growth are visible in many sectors. If we remove the many constraints and hurdles in agriculture, industry and services, India's economy will undoubtedly attain a higher growth rate.

I wish to underscore a few issues on which we must speedily build consensus, no matter how difficult are the decisions involved. Our biggest worry for quite some time has been the management of the fiscal deficit, at both Central and State levels. A high fiscal deficit, which stems largely from unwarranted revenue expenditures, crowds out investment — both public and private. It thereby reduces the prospects of increased future GDP growth. To ensure fiscal consolidation at both levels, we need to enhance revenues, and address the problem of untargeted, runaway subsidies.

We should ensure that the VAT regime is implemented in all States from 1 April 2003. This will open the door to enhance revenues for the States. The Finance Ministry is also preparing a paper on reform of subsidies. We need to be clear in our minds for what purposes the subsidies are meant, for whom, to what extent, and how we can make sure that they reach the poor and are not siphoned off by others. Where the existing subsidies do not fulfil these objectives, we should put in place a firm roadmap for applying correctives in a time-bound manner.

The business cycle is a fact of life in market economies, and one of the most important governmental functions is stabilisation of the business cycle. While the appropriate mix and sequencing of fiscal and monetary measures is a matter of policy debate, the Plan provides a pipeline of investments, which implemented efficiently in a time-bound manner, would act as a fiscal stimulus

to the economy. We need to take a view as to what further stimulus is necessary at this point of time.

We have to forge public-private partnerships (PPP) in the widest possible range of activities in both physical and social infrastructure to leverage private sector resources and skills for development. An outstanding example of public-private partnerships is our National Highway Development Project. The scope of such partnerships could be extended to virtually all physical and social infrastructure schemes. I would urge that all concerned Central Ministries and Chief Ministers to actively participate in the Task Force which has been set up to develop model contracts for public-private partnerships. I would also like the NDC at this meeting to endorse the norm that once PPP model contracts are validated, they should be the standard modality for financing projects and schemes in each of these sectors.

We have to undertake thorough going reforms and remove bottlenecks in our energy, transport and water infrastructure. In particular, I can see danger lights flashing because of the slow pace of reforms in the power sector. In this context, we have recently begun an exercise to overhaul of the process of project preparation and approval for publicly funded projects in both physical and social infrastructure. We expect that this measure will significantly reduce time and cost overruns in the implementation of schemes and projects. An action plan has been prepared for re-engineering all regulatory requirements, whether at the Central, State, or municipal levels, involved in the execution of investment projects. We seek the cooperation of the State Governments in its implementation, so that the present inefficiencies and harassment at the business-Government interface will disappear.

Economic reforms and development planning are without meaning if the poor and marginalised are not enabled to better their lives. This calls for action on many fronts. A jungle of laws, in particular municipal, police, and forest laws, many of which have not been reformed since many decades, render numerous legitimate occupations of the poor illegal. While microfinance modes of lending have been shown to be fully viable, the

commercial banking system has yet to mainstream microfinance lending to the poor. The Small Scale Industry (SSI) Sector, which has unequalled employment potential, faces a number of challenges, including availability of credit, technical and marketing support, and realising its comparative advantage in the context of globalisation. These are some of the directions in which serious reform is necessary.

Urbanisation is an irreversible process. Accordingly, conditions of living in our towns and cities must improve. This will require reforms in municipal fiscal practices to enable raising of resources from financial institutions and user fees for municipal services. The flow of Plan resources to municipalities and States should help to leverage such reforms.

As you are aware, we have set up a Task Force to prepare a blueprint for linking the major rivers in our country. This will significantly solve the problem of repeated floods in some States, and drought in others. Already, the very concept of inter-connecting our rivers has generated great expectation and excitement among people all over the country. I am glad to note that a consensus is also emerging among political parties. I would like the States to give their response to this project, so that we can move forward quickly.

I would now like to make four specific suggestions for the consideration of this Meeting.

- *Governance Reforms, with Special Reference to e-governance*—A central message of the Tenth Plan, which has been echoed by a number of Chief Ministers, is the imperative of Governance Reforms to speed up India's all-round development. Our experience has shown that adequate resources are not enough, and that the best policies and programmes can flounder on the rocks of poor governance and implementation. We need to bring about dramatic improvements in the functioning of our administrative, judicial and internal security systems in order to foster a dynamic and vibrant market economy. It is an issue that concerns us all. Since it is not possible to have different institutional

structures in different parts of the country, I propose that we constitute a Sub-Committee of the NDC on Governance Reforms to go into this matter in detail and present a set of proposals to the NDC, which we can adopt uniformly.

E-Governance, which can contribute significantly to better governance, is a major thrust of the Tenth Plan. I congratulate those States and Central Government Departments, which have already launched major initiatives in this respect. I am heartened by the fact that the judiciary has also recognised the need for and scope of e-governance for speeding up the judicial processes. I urge all concerned to implement this strategy.

- *Barriers to Internal Trade* — Creation of a common economic space is one of the most basic advantages of nationhood. All over the world, countries are coming together for this purpose, but we have continued to maintain and erect barriers. There may be logical reasons for doing so at the State level, but the country as a whole loses. Although it is within the Constitutional powers of the Centre to bar such measures, I appreciate the political difficulties that you may face. I, therefore, propose that we constitute an empowered Committee of the NDC under my Chairmanship, which can consider all such barriers on merit and decide what would be the most appropriate steps that can be taken. I would, however, only remind you that the most developed States also need the markets that are provided by the under-developed States, and therefore regional balance is to the advantage of all.
- *Creating an investor friendly climate* — Although the responsibility for creating an investor-friendly climate is the responsibility of each State Government, the progress on this front varies widely between States. We have inherited a wide range of controls and restrictions from the past, and it may be beyond the powers of any individual State Government to even identify these or even correct them. Since this is likely to be an extended process, I propose that we constitute a Standing Committee of the NDC under the

chairmanship of the Union Minister for Industry and Commerce to oversee the process of dismantling such barriers.

- *Financial and Administrative Empowerment of Panchayati Raj Institutions* — The problems faced in transferring functions and resources to PRIs has been raised by some of the Members. However, we believe that this is essential if we are to bring about accountability and speed up development at the grass roots. In this context, we may consider the manner in which the Centre can help in terms of resources. One method could be for the Centre to directly fund the PRIs for specific activities, provided that the appropriate powers are transferred. These are contentious issues, and I would suggest that we set up a small sub-committee of the NDC under the Chairmanship of the Minister Rural Development to go into these issues.

I would like to make one last point. It is very important that we effectively communicate the goals, strategies, tasks and targets of the Tenth Plan to the various constituencies of our diverse society, without whose support we cannot hope to move ahead rapidly. We should generate enthusiasm about the Plan and its targets among our people, especially among the youth. Let us pledge today to make Development a People's Movement, and the Tenth Plan a People's Plan.

I request you to join me in congratulating the Deputy Chairman of the Planning Commission and his team for having laboured hard to detail a plan of action which would enable us to achieve our objectives. The draft Tenth Five Year Plan is now before us. I would request the Deputy Chairman to make a presentation of the salient features of the Tenth Plan document so that we can deliberate upon the strategy that is proposed and the specific suggestions that have been made. At the end of the meeting, we shall formally adopt the Tenth Five Year Plan document. □

## A Common Approach to National Issues

I welcome you to the Eighth meeting of the Inter-State Council.

All the previous meetings of the Inter-State Council have been held in Delhi. The distinction of hosting it outside the national capital for the first time goes to Jammu & Kashmir. On behalf of all the other States, and on my own behalf, I offer my hearty thanks to the people of Jammu & Kashmir, and to Mufti Sahab, for making it possible.

A meeting of the country's apex forum of cooperative federalism taking place in Srinagar gives yet another clear message that the situation in this State is changing. It also demonstrates the firm commitment of the Centre and all other States to stand by our brethren in Jammu & Kashmir and Ladakh areas of the State.

The people of Jammu & Kashmir deserve our highest appreciation for showing their faith in democracy in the face of grave threats. The elections to the State Legislature in October last will go down as one of the finest victories for the ballot, in its battle against the bullet, in world history. Above everything else, it was a mandate for peace. It was a mandate against cross-border terrorism, which the people of this State have suffered for over a decade and paid a heavy price.

How heartening it is to know that the shikaras are once again sailing with tourists on the famous Dal Lake in front of this convention centre. How reassuring it is to know that the hope of normalcy is returning to the Kashmir Valley.

I assure the people and the government of Jammu & Kashmir that we will give them maximum help in consolidating the recent

gains. We will further intensify our sincere efforts to advance the dialogue process. Our doors are open to all those who reject militancy and extreme positions and wish to play a constructive role in taking Jammu & Kashmir forward on the high road of peace and rapid development.

Over the last few years, we have sought to make the Inter-State Council an active forum for free and frank discussions on issues that have a bearing on the Centre-State and Inter-State relations. Such frequent interaction nurtures a strong, federal spirit. It also protects the powers of the States without sacrificing national unity, integrity and Constitutional imperatives. The Council strengthens the bond of partnership between the Union and the States, which is the mainstay of our democratic polity and also the main requirement for achieving India's speedy, all-round development.

Since its inception in 1990, the Inter-State Council has concentrated on the recommendations of the Sarkaria Commission, which submitted its report in 1988. Previous meetings of the Council have covered a lot of ground in deliberating these recommendations and arriving at consensus decisions. Now, 17 recommendations from different Chapters of the Commission's Report are for consideration before us. The Standing Committee has already considered these recommendations and its opinion has been incorporated in the agenda papers.

Without going into the specifics of the Commission's recommendations, or what the Standing Committee has opined on them, I would like to urge all of you that, after 13 long years, let us bring the discussion on Sarkaria Commission's recommendations to a final and consensual conclusion at the Srinagar meeting.

All of you will perhaps agree with me that the dynamics of social, economic and political forces in India has changed significantly since the Sarkaria Commission submitted its report. Centre-State relations have improved and a sense of partnership has emerged. The end of one-party rule at the Centre has inaugurated a new process of harmonisation of regional aspirations within an overarching national outlook. This has also helped

political parties to somewhat alter their traditional positions on various issues.

Today all of us are united in our belief that we need to continually strengthen the consensus and cooperation between States and the Centre. The dream of a strong, prosperous, progressive and self-confident India—a dream which we have now begun to articulate as “Making India a Developed Nation by 2020”—can only be realised through a partnership between a strong Centre and strong States. In this vision of the founding fathers of our Constitution, the Centre is expected to provide the overall guidance to the nation and the State Governments are expected to provide a good administrative interface with the people.

Today's agenda also includes consideration of the views of a Sub-Committee, which was set up by the Inter-State Council to examine issues on contract labour and contract appointments. The Union Ministry of Labour is taking appropriate action in the matter.

Tomorrow in the morning session, if time permits, we could discuss an ‘Action Plan on Good Governance’. The Union Government had set up a group of Ministers to suggest reforms in the national security system. One of the recommendations made by this Group was to discuss an Action Plan for Good Governance in the forum of the Inter-State Council for adoption and implementation.

On account of the reform programmes of the Central and State Governments, the role of the Government has been changing from that of a controller and executor of socio-economic activities to that of a facilitator, motivator and guide. Our main emphasis now is to unleash the potential of private enterprise and to encourage the constructive participation of the institution of civil society.

The essential elements of ‘Good Governance’ are—

- a comprehensive legal framework,
- defended and enforced by an impartial and competent judicial system,
- an accountable, open and transparent executive decision-making apparatus.

- coupled with a capable, efficient and people-friendly bureaucracy,
- and, last but not the least, strong civil society participation.

One of the shortcomings in our government system is that the evaluation of our policies and programmes is often expenditure based and not sufficiently based on quantitative and qualitative outputs. This must change. All of us now realise that the people are demanding a higher level of performance by the governments they elect. Therefore, I would like the Inter-State Council Secretariat to focus on monitoring the implementation of the Action Plan on Good Governance both in quantitative and qualitative aspects.

At the last meeting of the Council, we had taken decision on 59 recommendations of Sarkaria Commission on Centre-State relations. I am happy to inform you that in pursuance of one of such decisions, instructions have been issued to the Union Ministries/Departments requesting them to consult the State Governments, excepting emergency cases, on any legislation with regard to matters enumerated in the Concurrent List of Seventh Schedule of the Constitution. It also provides that machinery of Inter-State Council Secretariat should be used for effective consultations with the States.

I urge the Union Ministries/Departments as well as the State Governments to ensure adherence with these instructions. I may remind you that the National Commission to Review the Working of the Constitution had also expressed serious concern about lack of Centre-State consultations in the area of legislation under the Concurrent List in spite of the existence of the Inter-State Council.

Another decision taken in the last meeting of the Council was to effect early revision of royalty rates on coal. These rates have been revised on 16th August, 2002 as a result of which the royalty earnings of coal producing States are likely to go up by about Rs. 500 crore per annum. This is likely to go up further with increase in the coal production in coming years.

In recent meetings of the Council, I have been urging the members of the Council to increasingly utilise this forum by bringing up new issues for discussion and resolution. I would

again call upon the Chief Ministers and the Union Ministers to place fresh issues and ideas for deliberations in this forum. In this direction, the task and reach of the Council needs to be widened with provision of adequate manpower and funds at its disposal.

The prepared speeches of Chief Ministers have already been circulated and would go on record. If you agree, we can straightaway commence discussion on today's agenda, for which I declare the meet open. □

# Indian Economy on a Path of Sustainable Development

I welcome you all to the first meeting of the reconstituted Advisory Council on Trade and Industry. We are meeting at an important juncture of the reform process in India.

Ten years have passed since economic reforms were unveiled. That the reforms have, by and large, benefited the country is beyond any doubt. These benefits cannot be overshadowed by the slowdown we are facing at present. I say this because, in times of difficulty, there is a tendency to overlook our strengths and achievements and, instead, to be overwhelmed by the current problems.

We must never let problems overwhelm us. Rather, we should overwhelm the problems. India has always overcome the stiffest of challenges flung at her. We have especially risen to the occasion whenever we have faced any challenge from outside. The time has come for us to demonstrate that we can also overcome the formidable challenge that we now face in the economy.

Yes, the economic challenge before us is truly formidable, although the slowdown is out of step with the strong macro-economic fundamentals. The indicators of the economic slowdown are well known to all of us. I am aware that there is considerable uncertainty and pessimism in the business community, resulting in a dip in business confidence.

The situation calls for both a long-term and a medium-term strategy for putting the Indian economy on a path of sustainable growth of eight percent and above. This is indeed the goal that we

have set for ourselves in the recently finalized Approach Paper to the Tenth Plan that begins next year.

The Government, however, realizes that alongside a sound medium and long-term strategy — indeed, as a necessary initial stimulus to that strategy — we also need an urgent action plan for the immediate revival of our economy and businesses. I wish to assure you that the Government is working on both the tracks simultaneously.

We recognise that at the heart of the slowdown is the crisis of productive investment in the economy. We also recognise that this crisis can be ended only by dramatically stepping up public investment and enabling private investments to ride on the back of higher public investment.

Accordingly, we have decided to mobilize large-scale additional resources for investment in various developmental projects and programmes through a combination of budgetary and non-budgetary sources. We will make full use of the availability of surplus credit in our banks and financial institutions, made attractive by the low and declining interest rates. These funds will be channeled into innovative and productive public spending, combined with a prudent strategy of fiscal management and inflation control.

Our focus will be increased public investments in infrastructure and other developmental projects. Specifically:

- An area that will receive high priority in the coming year is also an area, which has suffered from maximum neglect so far. It is the Indian Railways. Railway reforms will begin in right earnest. We have recently announced a Rs. 17,000 crore Railway Safety Fund to be spent in five years. The first year's spending plan will soon be finalised. A comparable amount of investment will also be mobilised for accelerated completion of many critical and remunerative railway projects, which have languished for a long time for want of resources.
- The National Highway Development Project is set to take off in a big way after the completion of project preparation and award of contracts for large portions of the Golden

Quadrilateral. The coming year will see the spending go up to over Rs. 5,000 crore. This will be doubled in the following year, enabling Phase I of this ambitious project to be completed on time by the end of 2003.

- We will move ahead with power sector reforms, based on the consensus reached at the Chief Minister's Conference held in March this year. The plan to revive and reform the State Electricity Boards will be implemented. We will especially focus on reforms in the distribution sector. The Central Government, in cooperation with the Government of Maharashtra, financial institutions, and other partners, will facilitate an early and amicable resolution of the vexatious problem surrounding the Dabhol power project.
- All hurdles in implementation of major airport projects will be speedily removed.
- We have identified modernisation of urban infrastructure as a priority area for increased public spending. Although housing finance has picked up considerably in recent years, it still has an enormous untapped scope. We will remove legal hurdles in this regard and give housing construction a big fillip.
- We will also look into innovative ways of using the vast surplus land with different government agencies to generate resources for capital investment and to support housing for the poor.
- I have announced, at the recent meeting of the National Development Council, that the Government will soon identify 100 out of the 461 long-pending projects worth more Rs. 100 crore and more for accelerated completion. In consultation with State Governments and Central Ministries, a shelf of new projects will also be developed. Out of these ongoing and new projects, we will identify a set of **Projects of National Importance**. For their speedy completion, we will create a new monitoring and implementation mechanism under the guidance of the Ministry of Programme Implementation. We will seek the help of the best professionals

in the private sector, with a proven record in project implementation, in this effort.

- At a more general level, the Cabinet Secretary has been tasked to prepare, within two months, a blueprint for faster and effective approval of all developmental projects and programmes, by doing away with unnecessary bureaucratic rules and procedures that result in heavy time and cost overruns. In this, we seek your suggestions.
- We will formulate a National Tourism Policy before the year-end. Inputs from one of the reports on tourism prepared by your council will be appropriately incorporated in the policy.
- Necessary steps will be taken to promote IT-enabled services and expand the domestic market for IT, especially through a strong, push to e-governance. I seek your views on how to promote biotechnology research and business in India.
- We will facilitate public and private large-scale investments in agriculture and in all segments of the food economy.
- Reservations in those small-scale industries that have an enormous potential for exports and employment generation will be removed. There is already a Group of Ministers involved in this process.
- We will step up public spending in such rural development programmes, which have a potential to create large-scale employment and also stimulate demand in the rural economy. Thus, the Pradhan Mantri Gram Sadak Yojana will see an investment of as much as Rs. 5,000 crore this year.
- We will launch, within this month, the Rs. 10,000 crore Sampoorna Grameen Rozgar Yojana. For the first time, we are providing Rs. 5,000 crore worth of foodgrains in food-for-work programmes to create durable rural assets.

The Government has moved with determination to provide necessary legislative support to our agenda for economic reforms. Examples of this are: the Electricity Bills, Convergence Bill, Competition Law, and the law on sick units. We are constantly trying to strengthen the consensus among political parties, as also

between the Centre and the State Governments, on all areas of economic policy and governance reforms.

All of us are well aware that the current low levels of capital and labour productivity in India simply cannot prepare us for the growing challenges of global competition in the wake of the WTO agreements. The heat of competition is already being felt by many big and small industries. Labour reforms are a much-needed initiative to boost investment and improve management in Indian businesses. Towards this end, we will bring forward the necessary amendments to the labour laws in the Winter Session of Parliament.

I would like to dispel all misgivings and fears that changes in labour laws will be at the cost of the interests of labour. We have ample global evidence that these changes will actually create large-scale new employment, which is indeed the need of the hour. In this context, I also urge business houses to ensure that the workers get their rightful due, both financially and in terms of useful retraining and redeployment opportunities.

Experts have pointed out that many regulatory and other non-financial barriers also impede growth in the Indian economy. Removal of these barriers, especially in such sectors that have a high potential for increasing productivity and employment, will help us increase our GDP growth by at least two to three percentage points without a proportionate increase in investments. In consultation with State Governments, we shall soon prepare an action plan for the removal of these barriers.

Interest rates today are softer than ever before. We have reduced taxes and made the tax regime simpler to stimulate growth. I would like industry and trade to make full use of these measures. I also urge them to pass on the benefit of duty reductions to the consumer.

Friends, today I would like to hear from you specific suggestions on how to revive the stockmarkets. I assure you that the Government will act upon all constructive ideas to enable the stockmarkets to play a dynamic role in reversing the decline in investment.

The Government is aware that recent worrisome developments in the financial sector have depressed business sentiments. They

have once again highlighted the need for effective checks and balances to accompany increased autonomy devolved to financial institutions.

These developments have also shown up the overall poor standards of corporate governance. Market manipulations and other irregularities have led to periodic crises in the stockmarkets and dented investor confidence. They have also led to cynicism among ordinary people. If unchecked, this will undermine public support for economic reforms. While we are reforming our system of governance, I would like you to reform your system of corporate governance.

We have had enough warning signals both in the initial years of liberalisation and also in the recent boom and fall in the stockmarkets. I urge the business community to clean up its act and give a better account of itself, both to the Government and to the people.

I have outlined before you our plan to infuse large-scale public investment and take other legislative and administrative measures to kickstart the economy. I assure you that we will step on the accelerator and make the economy pick up speed. All this is part of our decision to observe the coming year as the **"Year of Implementation"**.

What I would like from each one of you, and from the business community as a whole, is resolute reciprocal action to step up private investments, complete on-going projects on schedule and also take up new projects. We should together resolve to buck the global slowdown and show India to be a nation that can overcome all odds.

Adversity cannot be a cause for despair. Rather, it is a summon and a stimulus for action — indeed, for bold action. Such action as will produce visible recovery within the next six months.

I conclude my opening remarks by inviting the business community to partner with the Government in joint and complementary action to revive the economy and to take it on a high growth path.



# The Focus of Tenth Plan — Good Governance

I welcome you all to the forty-ninth Meeting of the National Development Council.

The most important item on our agenda for today is the consideration of the Draft Approach Paper to the Tenth Five Year Plan. This will set the broad policy directions for the Plan covering the period 2002 to 2007.

The Tenth Plan will be a major landmark in the history of development in India. It is the first Five Year Plan of the new century. As such, the nation awaits it with high hopes and great expectations. Our people want to know:

- Will the Tenth Plan chart a new path of sustainable development, fully harnessing the enormous natural, human, and financial resources in the country?
- Will it fully take into account the new national and global realities, especially the expanding capabilities of the non-State sector in India's socio-economic development?
- Will it preserve the many achievements of the previous Five Year Plans and build a solid foundation for all-round development in the new era?
- Will it also carry the lessons from the failures of the previous Plans and reliably reassure the nation that the backlog of unmet targets and unfulfilled objectives will soon be cleared?

We in the National Development Council, as representatives of the Governments elected by our people, have a responsibility to answer these questions in the affirmative.

We cannot disappoint them. And we shall not disappoint them.

The country believes, with good justification, that our economic performance so far has not matched our potential. So too does the rest of the world. Our endowments of productive resources — human, natural, technological, and financial — are the envy of many. However, we are yet to harness them in a manner that yields the best results.

The shackles that have bound the productive energies of our people must be cast off. We must take the economy to a significantly higher path of growth.

That is why I had asked the Planning Commission to set the goal of doubling our per capita income within the next ten years. I knew then that it was a difficult target. But it is surely not an impossible target. After all, several countries with lesser resources have succeeded in achieving such high growth rates.

Dear Chief Ministers, the process of planned development in India, through the mechanism of Five Year Plans, began at a time that was very different from today's situation. It was natural for the State-sector, through the agency of the Union Government, to play a dominant role in almost every aspect of the country's economic and social development.

As a result, the Five year Plans in the past half a century were moulded by a thinking in which the government, in particular the Centre played a predominant and all-embracing role.

India is a vastly different country today. Our State Governments have amassed a wealth of experience of planning and executing developmental activities on their own. Ten years ago, we amended our Constitution to empower our Panchayati Raj institutions to function as effective agents of decentralised development.

The private sector has grown phenomenally, both in size and capability, and now plays a pivotal role in India's economic development by mobilising investments and executing projects, including in infrastructure and core sectors. The private sector has received, especially after the advent of economic reforms a

decade ago, a large mandate to contribute to the realisation of our growth targets.

The past five decades have also seen a tremendous growth in both the number and diversity of non-governmental organisations and community-based organisations, and in the scope of their contribution to the development of our social and environmental sectors.

India needs a strong partnership between these five agents of development — the Union Government, State Governments, PRIs, the private sector and non-governmental and community-based organisations — to achieve all-round development.

I believe that one of the main reasons for the wide gap between India's developmental potential and her actual performance lies in insufficient appreciation, in the planning process, of the need for a partnership between all the five drivers of national development.

I am happy that the Approach Paper to the Tenth Plan seeks to correct this critical shortcoming.

Friends, today's meeting is an occasion for all of us to look at the Indian economy in perspective and, also, to dispassionately view the difficult situation we are facing at present.

The decade of the Nineties witnessed an impressive rate of growth of our national economy. Yet, it is also true that growth has currently slowed down to a level that must make all of us sit up, think, and act. The rates of growth of our agricultural production, our industrial production, and our exports have come down. Credit offtake has considerably reduced in spite of abundant deposits available in our banking system. New investments have dried up.

This is due to cyclical and episodic factors as well as structural weaknesses within in our economy. It is also partly due to the slowdown in the global economy, although India is relatively better off compared to the downturn in many developed economies in the world.

This, however, cannot be a consolation to us. I would like the Chief Ministers to know the realities of our present economic

situation. There is no easy or quick solution to the problems we are facing, especially since many of them are systemic in nature.

We must also bear in mind that the slowdown has come at a time when the legitimate aspirations of our people, especially those belonging to the poor and deprived sections of society such as, SCs/STs/OBCs are rising.

You know and I know that these aspirations can be fulfilled only if our economic growth become faster, sustainable, and more capable of removing regional, social, and gender imbalances.

To fulfil their hopes and aspirations is our common commitment, irrespective of the parties or coalitions we belong to. We cannot dilute this determination.

The Planning Commission, after careful deliberation, has given form and content to this collective commitment. The Approach Paper has set a growth target of 8 per cent a year during the Tenth Plan and a further step up during the Eleventh Plan.

We are today at a growth rate of slightly more than 5 per cent. Moving from this level to our Tenth Plan target will require removal of the many policy, governance, and infrastructural impediments to faster economic growth. This will entail difficult decisions — both by the Centre and the State Governments. We must have the courage and will to accept this challenge.

We cannot afford to be complacent. Nor can we afford to make promises that we know we cannot fulfil without taking the correct decisions, be they for the moment unpopular. The people expect us to act — they expect me to act and they expect you to act. They expect us to take such necessary decisions that will infuse confidence and impart a new momentum to the economy. Our citizens will support our actions if we properly explain what the situation is, and how our decisions, while sometimes causing temporary hardships to some, would ultimately benefit all.

Some of the areas where we need urgent action are the following.

- 1) The weak finances of both the Centre and the States need to be improved immediately. Unproductive and unnecessary expenditure will have to be drastically pruned. The CC-D. Nanaji Deshmukh Library, BJP, Jammu. Digitized by eGangotri

borrowings and contingent liabilities of many States have been over-stretched. Living on borrowed money and borrowed time is not a mark of good governance. Somewhere down the line, we seem to have forgotten the traditional Indian virtue of prudence and thrift. I cannot over-emphasize the importance of both the Centre and the State governments to increase our revenues by expanding tax collection, ending the losses of state enterprises, and launching innovative ways of resource mobilisation, such as collection of proper user chargers.

- 2) The downsizing of the Government cannot be delayed. There are States whose salary bills alone far exceed their revenue collections. Obviously, the people who have elected us cannot want this sorry situation to continue. For they too know that every unnecessary government job robs them of resources for much-needed welfare and development activities. The Centre will not be found wanting in this regard.
- 3) We have taken some step to reduce untargeted no-merit subsidies. There is, however, a big need and a lot of scope for pruning them further and targeting them better to benefit the poor.
- 4) Agricultural development has been recognised as a core element of the growth strategy of the Tenth Plan. We need to comprehensively review our strategy of increasing food production based on periodically increasing procurement prices. Another matter that deserves urgent attention is to increase the States' ability to lift low-priced foodgrains for distribution to the poor and for food-for-work programmes. The Government will operationalise, within this month, the Sampoorna Rozgar Yojana. It will provide assured employment to the rural poor for building durable assets. I appeal to all the State Governments to cooperate in implementing it.
- 5) The area that is truly crying for reform and rejuvenation is our power sector. We agreed on many important points of action at the Chief Ministers' Conference in March. I know that some States have begun to act on the reform agenda.

- I urge all of you to implement the milestones for power sector reforms within the accepted timeframe. If necessary, I am prepared to call an all-party meeting to build the necessary political consensus, so that the reforms are not derailed in States due to compulsions of competitive politics.
- 6) Labour reforms cannot remain pending any longer. We need to patiently explain to our friends in the trade unions and others that these reforms, far from being anti-labour, are indeed pro-labour because they will create large-scale new employment. They are urgently needed to enable our industries and businesses to attract new investments, new technologies, and to be able to compete, both on cost and quality in the global market. I am happy that some States have begun to take positive steps in this direction.
  - 7) The health of our banking and financial system is a matter of worry. Many economies have got into serious trouble because of the bad debts that led to the failure of their banks and financial institutions. We have enough warning signals and much sobering experience to go by. You too are aware of the problems being faced by cooperative banks in your States. The Government will accelerate reforms in the financial sector.
  - 8) We have removed many restrictions to foreign direct investment. Yet, the climate for FDI has not improved. We need to seriously take many promotional measures in cooperation with industry associations to ensure that both FDI, and FII investment increases on a stable basis.
  - 9) Our agriculture, industry, and services face many non-financial barriers to their rapid growth. These are in the form of harassment, corruption, red-tapism, and other indignities of the Inspector Raj. We must quickly identify and eliminate, root and branch, all such perverse laws, regulations, and procedures that lead to unproductive activities, increase costs, and sap the energies of our entrepreneurs.
  - 10) Major hurdles to faster economic growth also come in the

form of the delays and other deficiencies in our judicial system. These too will have to be resolutely removed.

- 11) Natural calamities have become a recurrent feature in recent times, leading to heavy losses in life and property. We should soon put in place an effective disaster management plan, both at the Centre and in States. We should also devise suitable long-term strategies to control droughts and floods.
- 12) The Tenth Plan should see redoubled efforts by us to control the growth of India's population. We should transform our endeavour in this regard into a people's movement, which alone can help us reduce the decadal rate of population growth between 2001 and 2011 by 5 percentage points to 16.2%. Clearly, certain States and certain districts, which are growing faster than the national average, will need to make extra efforts.
- 13) Effective devolution of financial and administrative powers to Panchayati Raj Institutions still remains an unfinished agenda. The Central Government, in cooperation with the State Governments, plans to soon launch a structured national debate on empowerment of the PRIs to achieve our common commitment towards decentralisation.
- 14) Lastly, we need to give our economic reforms a strong pro-poor focus and make elimination of poverty the central objective of development. The Tenth Plan period should see a major progress in rural connectivity by road, telecom, and the Internet; primary education and primary healthcare; and housing, drinking water, and sanitation. We should also ensure better care for the aged, disabled, and the destitute. Equally important, I urge the State Governments to quickly eliminate all laws and regulations, which are used to harass the poor and deny them livelihood with dignity.

The revival of the economy must become our highest collective priority. The Centre and the State Governments should together take steps to end the crisis of investment — both public and private — that has arisen in the economy. Towards this end, the Centre will accelerate large scale public investments in infrastructure development.

You are aware of our recent initiatives in highways and rural roads. We are now determined to initiate long-pending reforms in the functioning of the Railways. We have already announced a Rs. 17,000 crore Railway Safety Fund to be spent in the next five years. We shall soon flag off a major investment package for the early completion of many critical and remunerative railway projects.

The Department of Programme Implementation is presently monitoring 461 projects that cost Rs. 100 crore and more and are at various stages of non-completion. Many of them have been under implementation for ten years and more. The Centre proposes to take up one hundred of these projects, which can be completed in a short time. The investments needed for this will be suitably provided for.

We should also identify a shelf of new bankable projects, in the areas of irrigation, agricultural infrastructure, drinking water, urban infrastructure, state highways and district roads, bridge construction, etc. to give additional fillip to the economy. Given the resources in the financial sector and multilateral agencies, it should be possible to devise suitable financing mechanisms and implement these projects without causing additional fiscal pressure.

While emphasising acceleration of economic growth, the Approach Paper has rightly pointed to the need for innovative and more effective ways to develop our social sector. The key here is to increase the scope as well as the depth of public-private partnership in developing our abundant human resources. Such partnership is possible, and has also become necessary, in education, healthcare, and sanitation.

The Approach Paper has rightly highlighted the importance of Good Governance. For too long we have neglected the institutional framework that guides all economic activities in the country and delivers basic social and economic services to our people. An excessive reliance on allocations to the neglect of performance has not served us well. There must be a reorientation of executive accountability towards results, and not only in meeting budgetary targets.

Be it the development of our physical or social infrastructure, be it our welfare or promotional programmes, a major lesson from the previous Plans has been our shortcomings in implementation and follow-up. This often creates disappointment and cynicism among the people.

In my Independence Day address, I had said that the Centre would observe the coming year as the "Year of Implementation". Today I call upon all of you to do the same in your respective States. Together, let us strive to set new standards of implementation, monitoring, and follow-up, which alone can guarantee achievement of the challenging objectives set in the Approach Paper to the Tenth Plan.

Over the years, we have significantly narrowed our ideological and conceptual differences over a wide range of issues. We are now poised to move decisively on the measures recommended by the Approach Paper on the strength of our collective political will.

Let us resolve to rise above partisan politics and lend our combined support to the proposed Approach to the Tenth Plan. Let us today direct the Planning Commission to prepare a Plan document which would detail the tasks to be performed and the responsibilities to be discharged by the Centre, the State Governments, and Panchayati Raj institutions. Let us seek the participation of our public and private sectors, civil society organisations, and, above all, the people themselves.

Let us make the Tenth Plan a People's Plan. Let it be a Plan that can inspire all stakeholders to be participants in our development process. Let today's meeting of the NDC, the apex development body of our Union of States, be remembered for sending this message loud and clear — India can and will stand tall in the comity of nations on the strength of her own capabilities and collective resolve. □



## **UPWARD TRENDS**

UPWARD TRENDS

## Reform Driven Development

Congratulations FICCI, on turning 75. And I'll add - *Jeevam Sardha Shatam!* May you live a hundred more years and well beyond. Yes, FICCI has, indeed, come a long way. It has been a proud and eventful journey. You were born with the spirit of nationalism during the Freedom Movement. You were born with the blessings of Mahatma Gandhi. Not many institutions can claim such distinguished origins. Whatever be the changes that take place in the global and domestic scenarios from time to time, the flame of nationalism in business and economy, as in all other spheres of national life, must always burn bright. I do hope that its light will continue to guide FICCI in its onward journey, as it has in the past.

Friends, this forum gives me an opportunity to share my thoughts with you on some important issues regarding our economic growth, and the overall context in which this growth is taking place. I would like to share with you my conviction that, despite all the odds, the nation is on the move, the economy is on the move and that we are going in the right direction. I would also like to share my confidence with you that India will move faster, and that the Indian economy will do better, much better, in the time to come. This conviction and confidence is rooted in objective reality.

Take, for example, the fact that there is now complete political stability in the country. Stability is crucial. It is intangible precondition for the success of all governmental and non-governmental measures for economic and social development. Ours is the first coalition Government at the Centre, which will complete its five-year term. Indeed, in just three months from now, the NDA

---

Speech at the inauguration of the Platinum Jubilee Celebrations of FICCI, New Delhi, 13 December 2002

Government will have completed five years in office - if you count from March 19, 1998, the day we began our first innings. We have demonstrated that coalition Governments at the Centre can be stable, can work well, and can take the nation forward.

You have also seen how we conducted free and fair polls in Jammu & Káshmir, braving all the odds. Gujarat, too, has voted yesterday, without any violent incidents and with a big voter turnout. These are not merely our achievements. These are the achievements of Indian democracy. They show the growing resilience of our democratic system. This augurs well for the long-term outlook for the Indian economy. Not only India's democracy, but India's economy too has become more resilient. In spite of several adverse developments - both internal and external - our economy has demonstrated its inherent strength by emerging as one of the fastest growing economies in the world. In fact, over the past two decades, India's GDP growth rate has been higher than that of any democracy over a similar time period, Japan excepted.

All of us know some recent adverse developments, but it helps to recapitulate. After fourteen successive good monsoons, we had scanty rainfall during the current year. This has somewhat affected growth prospects in agriculture. Besides, we were forced to deploy our troops on the borders to send a strong message to our western neighbour. The message was, and it continues to be, clear and simple - that we are determined to end cross-border terrorism and to protect the unity and integrity of India, whatever it takes. Indeed, today is the first anniversary of the terrorist attack on our Parliament, which forced us to take that decision. And I can tell you that the message is working. We'll make sure that it works. Besides these developments, which resulted in a partial slowdown in the domestic economy, we must also take note of the overall global economic downturn. Global recovery has been much slower than expected, thereby creating difficulties for several developing economies, including India.

Our economy has successfully weathered all these difficulties. In the past, limited rainfall, and outbreak of droughtlike conditions, would inevitably lead to pressure on prices. It hasn't happened

this year. Inflation has been low, balance of payments strong, the country has abundant food stocks, the manufacturing sector has strongly revived, export growth has been heartening, and our forex reserves of more than 13 months import cover are matched by very few countries, developed or developing. All of you are also aware that, in spite of many impediments, our Government has not wavered from its commitment to economic reforms -- be it on the legislative front or on the implementation front. You have seen how we are trying to carry everyone along - through dialogue and consultations, through depoliticising developmental issues, and through a constant effort to expand the area of consensus on economic reforms. In a democracy, this process cannot be bypassed.

I am happy that Shri Lodha referred to some of our initiatives and achievements. For example, three years ago, I announced the National Highway Development Project (NHDP) at an Annual General-body Meeting (AGM) of FICCI. Today, its rapid implementation is there for all to see. Upon its time-bound completion, the NHDP will have revolutionised the road and transport infrastructure in our country. It is already generating daily employment for 2.5 lakh construction workers and 10,000 supervisors; the indirect employment it has created is several times greater.

The NHDP has proved to be a highly instructive model of public-private partnership, enabling the raising of substantial funds from non-budgetary sources. I want to assure you that by following this model, we shall replicate its success in many other critical areas of physical and social infrastructure, such as railways, power, urban and rural infrastructure, health, education, tourism, etc. We are developing the appropriate model contracts in these sectors, and once the models are validated, public-private-partnerships will be the standard mode of implementation of the 10<sup>th</sup> Plan projects and schemes. What the NHDP has also shown is that India can now think big, and can also implement big.

We have proved this in other areas, too

- In the first 50 years after Independence, only one crore and eighty-six lakh telephone connections were sanctioned. In

the past four years alone, two crore and eighty-two lakh telephone connections have been provided.

- Or, look at the silent revolution taking place in housing construction. HUDCO sanctioned about Rs. 11,000 crore for housing construction in 30 years from 1970 to 1999. In contrast, in the last three years alone, the sanctioned amount has exceeded this figure.

These are not merely the Government's achievements. These are your achievements, these are our economy's achievements, these are India's achievements.

Captains of Industry - and friends from the media who are present here, today I make an appeal to all of you. Let us talk about the good things happening in the economy with pride, joy and self-confidence. Let us not have only negative news and negative comments hog the headlines. It doesn't help anybody. It only spreads cynicism and pessimism, which are malignant viruses that weaken our national energy, dissipate our resolve, and undermine our sense of purpose. Let us not let trivial issues, petty rivalries and old habits of "managing the system" through unethical practices vitiate the business and political environment and damage the interface between business and the Government.

In saying that we focus more on the positive side of what is happening in the country, I do not in the least wish to suggest that we should overlook the shortcomings in the system. No, these must be brought to light, as our friends from the media do persistently. Otherwise, how can shortcomings be set right?

There must be criticism, too, where criticism is due. Otherwise, how can accountability be fixed? Yet, such criticism should always be expressed in a constructive spirit. Let me confess that I am myself as dissatisfied as any of you over the slow progress in several areas. The persisting problems in fiscal consolidation at the Centre and in States worry me. The slow implementation of power sector reforms worries me. The slow progress in labour reforms worries me. The pace of our infrastructure investments worries me. We need to move rapidly in these areas.

I am also deeply concerned that the systems, procedures, rules and regulations in the Government have still not been sufficiently reformed to serve the needs of rapid economic growth. We may have done away with the Licence-Permit-Quota Raj, but the Inspector Raj still survives. Many entrepreneurs - especially those in the small and medium-scale sectors - are routinely harassed and humiliated under this Inspector Raj. This must end.

I am told that we can increase the GDP growth rate by at least a couple of percentage points without any additional financial investments, but by carrying out necessary governance reforms at various levels. In this context, I am happy to inform you that we have recently taken an important initiative. A Committee was set up under Shri. V. Govindrajan, Secretary, Industrial Policy and Promotion (IPP), to analyse the reasons for time and cost overruns of public sector projects, and the regulatory impediments to investment by the private and public sectors at the Central, State and local Government levels. The Committee was helped by industry associations and professional management consultants.

It has made wide-ranging recommendations for re-engineering the project cycle for public investments, both for physical and social sector development, to ensure greater professionalisation of the identification, preparation, approval and post-evaluation stages of the cycle. It has also detailed a process for re-engineering all relevant regulatory systems at the Central, State and local Government levels, to ensure transparency, unambiguous decision rules, minimising documentation, and ensuring accountability. The process would require that the best global practices are taken on board, and the revised processes are embodied in e-governance systems.

The Committee's recommendations, which are now under implementation, will have a profound effect on the execution of physical and social infrastructure projects, and transform the character of business - Government interface. In addition, the Finance Minister has initiated, in his own silent but determined way, several other efforts at making the tax system more business-friendly, investor-friendly, and friendly towards the honest taxpayer. We need your support for the success of these initiatives.

Friends, my vision, and my mission, is to make our democratic system more and more development-oriented. This is the basic purpose of economic and governance reforms. At the same time, we also have to further democratise our development. The fruits of development must reach the poor and the underprivileged. The gap between the haves and have-nots, as also the gap between the developed and under-developed regions, must be bridged. The economy must produce more, create more productive employment opportunities and help our people lead better lives. This is the basic expectation from economic reforms. The more this expectation is met, the more enthusiastically will our people support the agenda of reforms. And the more vigorously we implement this agenda, the more surely will we be able to meet our people's expectations. Let this virtuous Cycle of Reforms-Driven Development guide the activities of both the Government and Indian Business.

With these words, I inaugurate the Platinum Jubilee Celebrations of FICCI and wish it all success in its future endeavours. □

## Making Tenth Plan— A People's Plan

I welcome you all to this full Planning Commission Meeting today. We are meeting to consider the Draft of the Tenth Five Year Plan. The Tenth Plan, which is the first Five Year Plan of the New Century, is an important milestone in India's journey of planned development. The country has amassed a wealth of experience and learnt many useful lessons from this journey. Major changes have taken place in our national economy as well as in the global economy during the past five decades.

Planning in India is not static concept. It is not enslaved by any dogma. It has to respond to the changing developmental needs of the nation. It has to take into account the dominant new trends in the national and global economies. The Draft of the Tenth Plan reflects this dynamic quality, insofar as it has incorporated the rich experience of the past and prepares us to face the challenges of the present and the future.

The biggest challenge before us is how to achieve speedier and more balanced development, so that India can leave behind the problems of the last century - namely, poverty and underdevelopment - and march confidently to becoming a Developed Nation before the end of the second decade in this New Century. You will recall that, more than a year and a half ago, I had wondered whether the Indian economy could grow at a rate by which we would be able to double the per capita income of our people within ten years. I have always felt that our country has the potential, in terms of human, physical and natural resources, to perform substantially better than it has done in the past. I was unwilling to believe that it was not possible for us to achieve what

---

Opening remarks at the full Planning Commission Meeting, New Delhi, 5 October 2002

other countries in our neighbourhood had done, sometimes with much lower endowments than ours.

I had directed the Planning Commission to examine the feasibility of attaining such acceleration in our growth rate and to outline the steps that would be necessary. Just over a year ago, the Approach Paper to the Tenth Plan was prepared, which clearly reaffirmed my belief in the immense hidden potential of our country. It indicated that it was indeed possible for the economy to achieve an 8 per cent average annual GDP growth during the Tenth Plan period, which could be further accelerated in the Eleventh Plan to attain a doubling of per capita income in ten years.

The Approach Paper also brought to the fore a serious lesson. It reminded us that our achievements on social and environmental indicators, which reflect the welfare of our people and the sustainability of our developmental process, were deficient. It made us realise that it was necessary to specify quantifiable and monitorable targets, towards which we could work collectively. This was by no means an easy task. It required us to harness full political commitment on a wide range of reforms covering policies, procedures and institutions.

We went to the National Development Council with the Approach Paper and placed the issues before it without in any way glossing over the problems that could be encountered and the difficult decisions that would have to be taken. I regard the unanimous endorsement by the NDC of the 8 per cent growth target, and the extensive reform measures that would make it achievable, as a measure of the national resolve.

Since then, it is being widely realised that achieving an 8 per cent growth target is not merely desirable; it is inescapable if we are to meet the legitimate and long unfulfilled aspirations of our people. I am told that the rate of growth of our labour force during the coming years will be such that unless we achieve an over 8 per cent GDP growth, the rate of unemployment could rise further at the end of the Plan period. We simply cannot imagine such a situation, much less tolerate it.

We have made a solemn commitment to the youth of this country that our economy would generate one crore employment

and self-employment opportunities each year. Our Plan and our policies must deliver on this promise. There are, therefore, compelling reasons for us to examine every conceivable way to accelerate the rate of growth and the pace of employment generation. I am, of course, aware that in recent years our economy has not performed up to our expectations. There is even skepticism in some quarters - is it at all feasible for us to climb from a rate of growth of 5.5 per cent last year to 8 per cent in the Tenth Plan? It is when the climb is steep that a good mountaineer musters his hidden strength and determination. Similarly, our nation has to prepare itself for the big challenges ahead of us. Moreover, we have no choice. The issue before us is not whether we can achieve a significantly higher growth rate; rather, it is whether we can afford not to.

The answer is obvious - we cannot afford to set a lower growth target if we want to move towards our cherished dream of building an India free of poverty, illiteracy and homelessness, free of regional, social and gender disparities and with a modern physical and social infrastructure and effective conservation of our environment and natural resources that would help us achieve high Human Development levels; and, above all, if we want India to be capable of facing all possible challenges to her national security.

I wish to underscore once again that achieving these objectives will entail many difficult decisions. These simply cannot be avoided.

- Tax reforms will have to be accelerated. We must quickly move towards an integrated Central and State Value Added Taxation system for goods and services.
- Fiscal prudence, with all its attendant measures, will have to be pursued vigorously both by the Centre and State Governments.
- We have to squeeze maximum efficiency and productivity from every rupee of investment already made. Specifically, we must utilize excess capacity effectively, upgrade existing capital assets, raise the knowledge and skill level of our workforce in all sectors; reduce public sector dissavings and remove all non-financial barriers to speedier development. it

is for this reason that we have to effect labour reforms, remove legal and other restrictions in the evolution of a national market, particularly for agriculture, and actively pursue disinvestment of our PSUs.

- We have to adopt public-private partnerships in the widest possible range of activities in both physical and social infrastructure to leverage private sector resources for development.
- Removal of the bottlenecks in our energy-transport and water infrastructure is a task that cannot be delayed any longer. I am deeply worried by the very slow pace of power sector reforms. One of the principal reasons why our current growth rate is stagnating at around 5.5 per cent is due to severe infrastructural constraints, which can only be eased by accelerating reforms.
- Our experience of over ten years of economic reforms has clearly shown that these cannot yield optimal results without concomitant governance reforms - reforms in our administrative system, judiciary and internal security system. In the economic sphere, the primary aim of these governance reforms will have to be greater encouragement to private entrepreneurship, with the Government strengthening its role in the formulation and implementation of policies, legislation, regulation, and facilitation, and exiting from direct participation in production and distribution.

It is obvious that State Governments would have to extend their fullest and most enthusiastic cooperation to the Centre, if all these daunting tasks are to be accomplished.

It is also equally obvious that we have to effectively communicate the goals, strategies and tasks of the Tenth Plan to various constituencies of our diverse society, without whose support we cannot move ahead rapidly. We should generate enthusiasm about the Plan and its targets among our people. We can achieve these ambitious targets only when we are able to make Development a People's Movement, and the Tenth Plan a People's Plan. I seek the cooperation of all the political parties, social organizations, voluntary agencies and the media in this important endeavour.

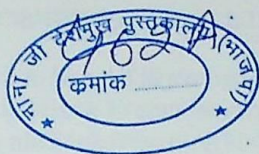
Friends, there is much debate these days on the content and direction of India's development, as also on the policies and strategies that we should follow to realise our developmental goals. This is natural in democracy; it is even desirable provided the debate is conducted in a constructive manner with a desire to promote consensus. The Draft Tenth Plan addresses the concerns voiced in this debate. For example, it has consciously adopted the path of Growth with Employment and Equity, not Jobless Growth that widens disparities. Accordingly, it lays much emphasis on speeding up the development of our agriculture, agro-industries, small-scale and cottage industries, and the whole array of activities in the informal sector. It stresses the need to increase the flow of credit to this sector through micro-finance and other measures. In addition, we must ensure that a range of legal impediments faced by the unorganised sector are quickly removed.

Another concern is about the role of Foreign Direct Investment (FDI). I would like to allay all apprehensions on this score. We have to achieve our developmental goals by our own efforts and primarily by harnessing our own resources. The Draft Plan makes it very clear that the bulk of the vastly higher level of savings and investments needed to achieve the 8 per cent growth target would have to come from domestic sources. However, we need greater inflow of FDI to supplement our domestic resources, in areas where it would strengthen our economy and enhance our competitiveness. We also need to increase our trade and technology cooperation with other countries. But let there be no worry in any quarter that we would follow such an FDI policy as would weaken Indian industry or hurt our national interests. This will never happen.

I congratulate the Deputy Chairman of the Planning Commission and his team for having laboured hard to flesh out the details of a plan of action, which would enable us to achieve our objectives. The Draft Tenth Five Year Plan is now before us. It is a formidable document, reflecting the intellectual effort that has gone into its preparation. I would request the Deputy Chairman to make a brief presentation of its salient features so that we can

deliberate upon the strategy that is proposed and the specific suggestions that have been made.

At the end of this Meeting, we shall formally adopt the Tenth Plan document. ☐



## Economic Agenda for Growth and Development

A warm welcome to all of you. We last met about ten months ago. To be precise, it was September 10, a day before the fateful happenings in the United States. September 11 and its aftermath had a profound impact on the world economy and on our economy, too.

Indeed, even before this unexpected turn of events, our economy had been passing through a slowdown. Members of your Council will recall that the dominant theme of our discussions was how to beat the slowdown and to achieve a quick revival. It is a tribute to the inherent strength and resilience of our economy, that it has now entered a phase of recovery. The challenge before us today is - How can we consolidate this recovery and put the economy on a sustainable path of high-growth? Three days ago, we had a meeting of the Council on Trade and Industry. I could see that smile was back on the faces of our business leaders. They unanimously observed that "it is time to voice optimism".

However, they too underscored the same imperative—namely, that we must work together to secure stability of high growth rates in the medium and the long-term. Friends, we have set ourselves an ambitious GDP growth target of 8 per cent a year during the 10<sup>th</sup> Five Year Plan. Is this achievable? Yes, I have no doubt about it. Over the past two decades, India has been among the six fastest growing economies in the world. No major democracy, barring Japan in the 1960s and 1970s, has at any time matched India's growth performance in this period.

In particular, the services sector, which accounts for more than one-half of our GDP, has grown at 8.5 per cent annually

over the past 7 years. Exports have grown in the past decade from 5.5 per cent of GDP to 9 per cent in the case of merchandise, and from 3 per cent to 8.5 per cent of GDP in services. This year, our growth in the farm sector also has picked up.

What are the challenges that we must overcome in accelerating our GDP growth rate to 8 per cent and beyond? Let me briefly touch upon a few critical development-related issues. I must clarify that the list is not exhaustive -

- The first and foremost challenge is that of implementation. I repeat what I have been saying to all the people in the Government - at the Centre and in the States - that our policies and programmes are only as good as their implementation. In the past four years, our Government has shown that we are determined to bridge the gap between promise and performance. Implementation of the New Telecom Policy; promotion of the IT sector; the ongoing work on the National Highway Development Project; and, lately, the successful completion of a number of disinvestment initiatives which have resulted in a transparent and non-discretionary procedure, which is a model of good governance - these are just a few examples. But we are aware that a lot more needs to be done. If you were to ask me, "What is your first priority?", I would say that it is to improve implementation capabilities across the board in the Government.

Our new Finance Minister made an incisive point in his remarks before members of the Trade & Industry Council. He said that a major burden on our economy is the way our Governmental machinery functions. It is designed to achieve delay, not development; its preoccupation is procedures, not performance. We have begun a comprehensive review of the current regulatory procedures, which impose significant transaction costs and delays on implementation of projects. Often these are traceable to poor project preparation, appraisal, and absence of a system of evaluation of the experience of completed projects to draw lessons for the future. These issues are common to both physical and social infrastructure.

A High Level Official Working Group, headed by the Secretary Industrial Promotion, is working on both sets of issues. It has completed its report on the upstream issues of the public sector. It will also soon recommend concrete steps to re-engineer the entire set of regulatory processes at the Central, State, and Municipal levels. For example, we shall take steps to remove several growth-hindering hurdles that have been placed in the name of environmental protection, which can be got rid of without harming the environment.

- The second challenge is to further speed up economic reforms so that India becomes a clear-cut market economy, with the Government withdrawing from production, barring a few clearly specified strategic sectors. However, Government must retain and further strengthen its role in policy-making, regulation and facilitation. We need to ensure that regulation of markets is by competent and independent regulatory agencies. These should follow transparent procedures, guided by the Government's clearly articulated policy-objectives.
- Third, Government would have to continue to shoulder dominant, though not exclusive, responsibility for physical and social infrastructure. However, the laudable goals of a Welfare State will now have to be pursued within a new framework mainly by broadening and deepening the scope of public-private partnership in education, healthcare, shelter, sanitation, care of the aged and the poor, and promotion of sports, arts and culture. I think that economists, policy planners and those involved in successful examples of public-private partnership need to work together to develop innovative and practical ways of expanding this concept at all levels - from national to local.
- Fourth, even as we try to speed up growth, how do we ensure that it will be employment-oriented growth, and not jobless growth or growth with less jobs? The challenge of unemployment will become more acute as the youth segment of our demographic spectrum continues to expand in the coming years. The Special Group, headed by Dr. S.P. Gupta, Member of the Planning Commission, has recently submitted

its report on "Targeting Ten Million Employment Opportunities Per Year". This, as you know, is our Government's solemn promise to the people. We have taken this report seriously and will soon prepare an action plan to implement its salient recommendations.

- Fifth, higher growth rate demands higher rate of savings and channeling the savings into productive investments. Here, we need to remove the imperfections that are plaguing our financial markets. It should be our special endeavour to ensure that the poor and the unorganised sector have access to savings, credit, and insurance services.
- Sixth, another essential element of our poverty alleviation strategy will have to be reduction and re-targeting of subsidies, so that the essential consumption of the poor, including social services, is protected, but the overall fiscal deficit is reduced. Barring those who deserve subsidy, we should develop a culture of making all others pay for what they use. For example, as you know, the root of the problem in the power sector - which is one of the specific areas of discussion today - is that nearly half of the power sold is not billed, and much of what is billed is not collected. More or less, this is true about higher education, public transport, municipal services, and so on. No reform can succeed if this sad state of affairs persists. The time has come for everyone to realise that, the nation is paying a heavy price in the form of slow and stunted development, for what citizens fail to pay.
- Seventh, in the past four years, we have paid much attention to expanding and modernising various aspects of connectivity—both physical and digital. The country is already reaping the benefits of better and cheaper telecom and Internet services. Our ambitious initiatives to develop highways and rural roads are being speedily implemented. To further widen our commitment to connectivity, the Government will soon launch an initiative for accelerated completion of Railway projects that are both critical and remunerative. If necessary, we will raise non-budgetary

resources for this purpose. Putting Indian Railways on a path of fast-track growth is a fitting way to celebrate 150 proud years of this institution that has contributed so much to the nation.

- Lastly, our long-term growth strategy should be closely aligned to our strategy on population. The encouraging demographic transition, which has been revealed in the 2001 census, needs to be further accelerated. Our goal should be for total fertility rate to reach replacement levels within the time frame given in the National Population Policy, without recourse to measures which have previously caused major setbacks in India and elsewhere. In doing so, we should ensure that a greater proportion of the population is of working age, and savings rates increase further.

Friends, I now invite your ideas and suggestions, after my two Cabinet colleagues have made brief presentations on reforms in the power and petroleum sectors. □

# Sustainable GDP Growth

I thank you for inviting me for the concluding session of this annual conference of CII.

Before I begin, I must confess that, unlike some others, I am unable to see the deep symbolic meaning attached to the inaugural and concluding sessions of a CII conference. If invitations to inaugurate or conclude conferences could make them speculate about an impending change in the direction of the political winds, then I must say that such people seem to think that Chambers of Commerce and Industry have more powers to make and unmake governments than the people of India.

Politicians are not expected to know the art of doing business. But if there is one thing that we should learn from you, it is this: It does not make business sense to count one's chickens before they are hatched.

When the people of our country elect their parliament, they expect it to run for five years. Those who have the people's mandate to govern are expected to discharge their responsibility well. And those who have been mandated by the people to sit in the Opposition are similarly expected to play their due role.

When the time comes to elect a new Parliament, everyone has a chance to go back to the people. Whatever the people decide is supreme in a democracy.

Attempts in recent years to destabilise governments, often those that had the support of the destabilisers, have neither helped the cause of business, nor have they done any good to our democracy.

This is what I tried to convey the other day, while flagging off the celebrations to mark 150 years of the Indian Railways -

that let everything run on its proper tracks. Let there be no derailment of anything anywhere.

I wish to tell this gathering of businessmen that our Government cannot be derailed. It is stable. It is here to stay. And it is here to stay for its full term. You will continue to do business with us, and we will continue to do business with you.

It was not my intention to impart a political tone to my speech this evening. But the climate of debate in our country in recent months has become so highly vitiated - by half-truths, exaggerations, and polemical assertions - that even the CII platform was not spared.

Naturally, the business community cannot remain unaffected by what is being said and written about our country - both within and without. It is one thing for all of us within our country to wake up to the wrongs that have happened and correct them - with determination, diligence, and unity. But it is quite another to engage in such a shrill and divisive campaign that it presents a picture of national disunity and encourages outsiders to start giving us sermons.

Let me be specific. The recent communal violence in Gujarat has shocked and traumatized all of us. I have perhaps spoken for the entire nation by describing it as a blot on India.

But it doesn't help anybody, if the complexity of the situation is ignored. It doesn't help the interests of our country it doesn't help the cause of secularism; it doesn't even help the interests of business if we forget that the violence in Gujarat is but a temporary aberration, and not a fundamental fissure in our society.

I am, therefore, astonished when I hear some people ask: "Of what use is the consensus among major political parties on economic policies when the fault-line is deep, when there is a fundamental difference of opinion on the very nature of the Indian nation-state, on the very character of our society?"

Those who proclaim that India's secular moorings and foundations are being systematically destroyed, do not know how deep and strong the roots of our secularism are. They only display their ignorance of India's history and of the cultural wellsprings of our nationhood by painting such an alarmist picture. They

forget that Indian secularism has withstood even the catastrophe of Partition, which was effected on communal lines.

Yes, a tragedy is a tragedy. Let no one belittle the crime that has been perpetrated in Gujarat - either in Godhra or elsewhere. As far as the Government is concerned, I have said this before and I repeat it today - the inquiry will be fair and the guilty shall not go unpunished irrespective of the community or the organization that they may belong to. At the same time, let no one use this tragedy to make such sweeping generalizations about the happenings in India that they demoralize Indians and present a wrong picture of India abroad.

I am confident, and I want you to share this confidence, that we shall weather the current crisis in Gujarat, just as we have overcome many a crisis in the past.

- Let all of us believe in India.
- Let all of us believe in India's resilience.
- Let us introspect and rediscover our oneness.
- Let us reaffirm that we are one people, despite all our diversities. Even the Preamble of our Constitution, starts with the proclamation, "We the People of India. . ." and not "We the Peoples of India".
- Let us not forget that ours is one national culture that integrates the many proud cultures that have nestled in our land.

I am saying all this to an audience of businessmen, because you too have a responsibility to project the correct picture of what is happening in our country, both here and abroad.

I now turn to the theme of your conference. "Going Forward: Big Ticket Growth or a Mild Recovery". I think that it is not necessary to go forward to get to a mild recovery the economy has already overcome the recent slowdown and achieved more than a mild recovery.

From a low of 4 per cent GDP growth two years ago, our economy is expected to grow by 5.4 per cent in the last financial year. This year, it is expected to do even better - above 6 per cent. The Global Economic Outlook of the United Nations has just predicted an annual growth of 6.4 per cent in 2003, which will

make us stand second only to China on the growth chart. Inflation is under check. Forex reserves are at a record high. Indeed, our high growth potential and our reasonably good performance have attracted the worlds attention. Combined with our many foreign policy initiatives, this has raised the stature of India in the world. Hence, there is no need at all for either diffidence or despair.

If we have to go forward - and I have no doubt that we *will* go forward - we should aim at a faster recovery and march rapidly towards what you businessmen like to call "big ticket" growth. Therefore, when our Finance Minister Shri Yashwant Sinha talks about our determination to achieve 7 or 8 per cent GDP growth, he knows that he has his feet on the ground.

Here agian, I would say, "Believe in India". And I would add; "Believe also in our Finance Minister"

How do we go forward to achieve those ambitious growth rates that all of us have always wanted our country to achieve, and that are absolutely necessary to make a big dent on poverty and unemployment? In the past half-century, a sustainable 8 per cent GDP growth seemed in the realm of fantasy. But now, we are getting closer to it. I have no doubt that india will cross this milestone in the tenth Plan that has just started.

Whatever India has achieved in the past few years is well known to you. Indeed, some of these reforms were unveiled after extensive - and, may I add, unprecedented - consultations with representatives of the business community. For example, the telecom and IT sectors have already started to show the fruits of reforms in big way. And these fruits have begun to reach the common man. Telecom tariffs are down. And almost one thousand new telephone subscribers are being added every hour. These are the fruits of the National Telecom Policy of 1999, which, incidentally was opposed by much of the Opposition.

Similarly, several ambitious infrastructure projects are being implemented today. The National Highway Development Project will soon change the face of Indian roads. Its counterpart in the rural sector, the Pradhan Mantri Gram Sadak Yojana will similarly bring lakhs of unconnected and ill-connected villages to the national

and global market. I assure you that the Golden Quadrilateral part of this project will be completed by the end of next-year.

The fall in interest rates has helped industry across the spectrum. Its most dramatic impact can be seen in the big jump in housing finance loans. I am told that as much as Rs. 13,600 crores have been loaned in the nine months from April to December last year for constructing new houses - and that was before competition hotted up in the housing finance market. Road and house building activities have started to create lakhs of new employment opportunities. Many more job opportunities will be created as private insurance companies start their operations.

Shri Sanjiv Goenka has made a reference to the opening up of unconventional areas such as defense production to the private sector. I assure you that we shall encourage public-private partnership in every area of economic activity. I may add that the newly-adopted National Tourism Policy as well as the National Health Policy give pivotal importance to this partnership approach with the private sector.

So, a lot of good things are happening in our economy. Let not the temporary disturbances in Gujarat cloud this basic fact.

Parliament is in session and therefore you will understand that I cannot make any specific announcements. But I can tell you that we have embarked on a major review of the system of implementation of all the policies and programs of our Government. I am as aware as all of you are about the many shortcomings in this regard. These shortcomings are not the makings of our Government. They have been plaguing the economy for several decades. The more I look at the system of implementation, the more it appears like a big and complex machine whose many parts are clogged, are rusty, and are either under-performing or not performing at all.

For example, the weaknesses in our judicial system continue to hurt the climate of investment and business - both domestic and foreign. We are therefore thinking of investing in the judiciary in a big way - for upgrading the facilities in courts, for appointing more judges, and for streamlining procedures. We also need to

identify and remove perverse incentives for resorting to unwanted litigation, which is at the heart of the problem of the clogging up of the judicial machinery.

Power sector reforms have proved to be another difficult nut to crack. It is not that we have not tried. Our efforts have produced a large degree of consensus among state governments about what needs to be done. They now need to convert that consensus into concrete action. The Ministry of Power, together with the Ministry of Finance have chalked out a bold initiative to improve the health of State Electricity Boards. I appeal to all the state governments to show determination and urgency in implementing the agenda that they have already agreed upon.

Civil service reforms are another important area for improving India's index of implementation. I have faith in our bureaucracy's abilities and dedication. A motivated, professionalized civil service can do wonders, and all of you know it. What is needed is a change in its attitude, its knowledge-base, and its work culture - to make it passionately result-oriented. Many bold steps are needed to achieve this. As a first step, we want to bring more professionals to work in the government at various levels. The appointment of the new power secretary testifies to this commitment. A second step will be the enhancement of the skills of civil servants, and matching skills and knowledge to responsibilities.

Public sector undertakings continue to form a significant part of our industrial and service economy. However, these are required to work in the new competitive environment, while still being shackled by old systems and procedures. Conversely, they have also been provided with a large number of crutches. In my interactions with PSU chiefs, I have heard all of them say that the lack of a level playing field is the main obstacle in achieving better returns on the enormous public investments made in their units. The time has come for liberating our PSUs from all unnecessary shackles, and then removing their crutches.

I would say that all these and other imperatives together constitute Governance Reforms that are long overdue. We need these reforms both at the Centre and in States - to consolidate our achievements and to tackle our diverse problems. All State Governments, irrespective of the parties that run them, have some

achievements to their credit. All are also saddled with many problems. What is needed is greater sharing of experiences - of successes as well as setbacks.

As far as I am concerned, I do not make any distinction between the achievements of one state and the other, based on who is running them. The successes of Andhra Pradesh and Tamil Nadu are as important to me as those of Madhya Pradesh and Rajasthan. For, ultimately, these are the successes of India. Similarly, the problems of Karnataka and Kerala bother me as much as those of Himachal Pradesh and Orissa. For, if India is to achieve "Big Ticket Growth", we have to overcome the problems faced by all our States.

Which is why, I have been trying to drive home one overriding message - namely, in matters of national security and national development, there can be no place for politicization. The need of the hour is Consensus and Greater Consensus; Partnership and More Partnership.

- Consensus among political parties.
- Consensus between the centre and the States.
- Partnership between the Government and Business.
- Partnership between the Government and the people.

In the end, I wish to return to the main theme of my address. India's secularism is too deep to be blown off course by temporary turbulence. The Ship of the Nation is strong and reliable enough to weather all storms and will soon leave the present turbulence behind. Now, more than ever, is the time when we should return to the agenda of development. Now, more than ever, is the time when we should focus on the big opportunity that is beckoning us.

With these words, I conclude my remarks and extend my best wishes to the Confederation of Indian Industry. □

# **INFRASTRUCTURE AND SERVICES**



## Promoting Tourism in Asia-Pacific Region

I am very happy to be with you today at this important travel and tourism meet. All of us in India are pleased that the PATA Annual Conference has come back to India after a gap of 24 years. I heartily welcome all the delegates to this Conference and also the dignitaries who have joined this occasion today. In the past half century, especially in the past few decades, the economic profile of the Asia Pacific region has changed dramatically. Leaving the dark days of colonial rule behind, the countries of the region are engaged in rewriting their own destinies - as independent, self-confident and steadily progressing nations. Many of them have become shining success stories, powerhouses of trade and technology, industry and innovation. I was in Singapore last week and was heartened to know that it is today richer, in terms of per capita income, than its former colonial master.

If the Asia-Pacific region's socio-economic status has changed, so also has its profile in tourism. The region is today dotted with innumerable centres of tourist attraction, which draw large numbers of tourists from around the world. Almost every country is promoting its traditional centres of attraction, and also adding many new ones. Indeed, tourism has become a powerful driver of economic growth for several countries in the region - both those that are already prosperous and those that are not yet so. If Singapore is an example of the former, then Cambodia, the other country that I visited last week, is a telling example of the latter. I was pleasantly surprised to know that the tourist inflow in Cambodia, mainly to experience the wonder of the Angkor

---

Speech while inaugurating the 51st Pacific Asia Travel Association (PATA) Annual Conference, New Delhi, 15 April 2002

temples, has soared from a mere fifty thousand a year to nearly five hundred thousand in just five years.

I am sure the region boasts of many such telling examples. And they cover almost every conceivable type of tourism - from monument tourism to mountain tourism; from culture tourism to conference tourism; from beach tourism to business tourism; and from tourism for the senses to tourism for the soul. No doubt, the Governments of the respective countries have done much to bring about this change, through innovative policies and supportive infrastructure facilities. Nevertheless, if any one trans-national organization can be credited for the phenomenal growth of the travel and tourism industry in the region, it has to be the Pacific Asia Travel Association.

Ever since its first Conference in Hawaii in 1952, when calm and peace descended after the devastation of the Second World War, PATA has played a pioneering and visionary role in bringing together nations of the Asia-Pacific. It was, I am told, also the first organization in the tourism sector to recognize the benefits of private-public partnership for promotion and marketing of travel destinations in the region.

Through its impressive record of devoted leadership and outstanding voluntarism, PATA, in the last half century, has also accomplished more than any other travel organization in educating the tourists, as well as in improving the tourist destinations - environmentally, socially and culturally. As we all know, the United Nations has declared the year 2002 as the International Year of Eco-Tourism and Mountains. I heartily applaud PATA for this concern for sustainable and eco-friendly tourism, which has to be at the very core of all our activities in promoting tourism. This responsibility can be handled only by creating a well-regulated, and often self-regulated, partnership between the Government, private sector players in the infrastructure and hospitality business, mass media, voluntary organizations, and, last but not the least, tourists themselves.

Distinguished delegates, India is now all geared up to reach its true potential in tourism. We fully recognize that the Asia

Pacific region is extremely important for us if this potential is to be fully tapped. We offer both the ancient and the modern. We are investing large sums for expanding and modernizing our infrastructure in airports and airlines, railways, national highways, hotels and transport, development of tourism circuits, preservation and maintenance of monuments, human resource development, information technology and all things related to tourism. It is our endeavour to ensure that our visitors have the best and the most pleasant time when they visit any part of India. Of course, we have many things to learn from our more successful friends. Just as each of the forty-odd countries represented in this Conference can benefit from sharing knowledge and experience.

As your Association enters the second half-century of its existence, it is now faced with different challenges. Some of these challenges are not specific to tourism alone; they are common to all sectors of the economy. Indeed, these concern the very security and well-being of our societies. I am referring here mainly to the problem of terrorism and extremism. It has today emerged as a global menace. No continent, and no country, is entirely free from its reach, or the reach of its negative effects. This was evident from the impact of the horrific terrorist attacks of September 11 on the United States. In particular, the travel and tourism industry, including the civil aviation industry, was badly hit. We in India, being victims of terrorism for close to two decades, know all too well how it has adversely affected tourism in Jammu and Kashmir and elsewhere.

Therefore, the time has come for the entire tourism fraternity in the world to intensify its campaign against terrorism and extremism. I have said before - and it bears reiteration today - that all of us should know why terrorism has hit tourism the most. Just as terrorism is a foe of tourism, tourism, in the broadest sweep of its effects, is an antidote to terrorism and extremism. Whereas terrorism feeds on intolerance and arrogance, tourism breeds tolerance and empathy. Terrorism has no respect for human life. In contrast, tourism teaches us to savour and to celebrate all that is beautiful in nature and in human life. Terrorism seeks to erect walls of hatred between faiths and communities. Tourism

breaks such barriers. Terrorism detests pluralism, whereas tourism pays tribute to it.

In a world that is becoming smaller and more interdependent with each passing year, tourism is encouraging all of us to develop an international outlook, even as it makes us proud of the natural and cultural heritage of our own individual countries. As far as India is concerned, ours is the land of Gautam Buddha, Bhagwan Mahavira, Guru Nanak Dev, Mahatma Gandhi, and many other apostles of peace. We firmly believe that promotion of peace, friendship, goodwill, and understanding among nations and among different religious and ethnic communities has to be the overriding objective of tourism in the new century. This, I am told, is also the central message of the World Tourism Organization. I hope that your Conference will transmit this message powerfully throughout our region and the world.

On this occasion, let me express another concern which, I am sure, is shared by many of you. I urge travel and tourism operators not to look at their business purely from a narrow angle of short-term commercial benefit. Excessive commercialism, especially when it takes place in the absence of effective regulatory mechanisms, can lead to negative consequences. Environmental degradation and erosion of traditional social values can make the growth of tourism unsustainable, much like the story of how greed led to the killing of the goose that laid golden eggs. In our own country, we have examples of some tourism centres that have visibly suffered due to unplanned and unaesthetic growth. Your Conference, therefore, should catalyse a process of learning from each others best practices in the Asia Pacific region. How can we encourage responsible and active participation of the local people in planning and implementing tourism promotion schemes? How can we promote better municipal governance especially in and around tourism centres? How can we check vandalism and promote responsible tourism? On these and other such questions, there is an immense lot that our countries can learn from each other.

There is a good concept that is rapidly gaining currency these days. It is - How to develop and market Joint Tourism

Circuits. For example, even though Singapore has a thriving tourism industry, Prime Minister Goh told me that he would like India and Singapore to design joint tourism packages and promote them jointly so that at least a section of international tourists who come to one country can be enticed to experience different types of attractions in the other country. One can also think of a regional Buddhist Circuit that will link India's own Buddhist Circuit with countries in South-East and Far-East Asia. There is also scope for developing a regional Ramayana Circuit and a package that links the centres of Sufi spiritualism in India, West Asia, Central Asia and South-East Asia.

There is an added reason for joint promotion of tourism within the region. As all of us know, more and more Asians are becoming rich and are joining the ranks of international tourists. It should be our endeavour to facilitate, for example, more Chinese and Malaysians to come to India and more Indians to travel to Cambodia and Vietnam. I am told that nearly two hundred thousand Indian tourists go to Bangkok each year. If at least five to ten per cent of them can be persuaded to go the nearby Angkor temples at a marginal incremental cost, they would be wonderstruck at the age-old cultural links that bind India and Indo-China.

In this context, it is necessary to recognize that promoting tourism within the Asia-Pacific region through a cooperative effort is not a zero-sum game. We will all gain if more tourists, especially our own tourists, start visiting each other's countries. Above all, it benefits tourists themselves since they can get to see and experience more by spending less. For countries like India, it also brings an additional benefit. Employment generation is one of the primary goals of our economic policies. And tourism, as all of us know, has a high potential to create business and employment opportunities at different levels of education and skills.

Ladies and gentlemen, before I conclude, I would like to wish you all a wonderful and memorable stay in India. In a sense, you too are tourists who have come here for the purpose of the Conference. And we welcome you with the same courtesy that is shown to all guests in the Indian tradition and which is encapsulated in the Sanskrit maxim - *Atithi Devo Bhava* - when a guest comes, think that a God has come. I thank PATA for

choosing New Delhi as the venue and I do hope that you will come back to India sooner than in the past. I wish your Conference all success. □

## Revitalize the Cooperative Institutions

I am happy to be with this gathering of Chief Ministers and senior officials from State and Central Governments, Reserve Bank of India, and NABARD.

Cooperatives in our country are a century-old institution. Under the leadership of Mahatma Gandhi, the cooperative movement became an integral part of the larger movement for India's freedom.

In the post-Independence era, cooperatives have played a pivotal role in realizing the principles of self-reliance and people's participation in development. During the past five decades, cooperative institutions have penetrated deeply into India's rural and urban life.

In particular, an organic link has developed between the cooperative movement and the development of agriculture in India. A large part of our population depends on agriculture directly or indirectly. The overall growth of our economy depends, to a large extent, on the growth of the rural and agriculture sector.

Generally, when we see a farmer toiling in his field, we find one or the other cooperative institution standing by him in his support. Provision of timely and adequate credit is almost as important to our kisans as the provision of timely and adequate water - either through rains or irrigation. Thus, Agriculture and Cooperation go hand in hand.

The contribution of cooperative institutions, more so of credit cooperatives, has been significant in the development of our rural

areas. We are proud that today, India's cooperative credit system is the largest in the world, in its size and outreach.

Rural cooperatives have also helped both the Central and State Governments as useful delivery mechanisms for our policies and schemes. For example, I am happy to learn that cooperatives have taken a lead in issuing Kisan Credit Cards. Out of the total of more than 1.5 crore such cards issued, more than 1 crore have been issued by various cooperative institutions.

The Government envisages a still larger role for the cooperatives in the planned development of the rural areas in the future. The Insurance (Amendment) Bill, 2001, now before Parliament, will allow cooperatives to sell insurance services. In future, the rural cooperatives will be able to provide crop and general insurance to our farmers.

However, friends, we know that all is not well with our cooperatives. People's expectations from the cooperative sector are growing. However, certain doubts are being raised on the capability of cooperative institutions to shoulder these higher responsibilities. Sometimes their credibility has also been called into question due to certain systemic weaknesses that have developed over time.

Many cooperative institutions are financially weak. They are beset with the problems of low volume of operations, inefficient functioning, and lack of professional and competent manpower. Their credit discipline is often poor. The basic democratic tenet that these should be member-driven organizations is routinely compromised, as these are being perceived more as state-run institutions.

Excessive government control, supersession of duly elected boards, arbitrary changes in government nominees, and frequent transfers of key executives have had an adverse impact on the functioning of our cooperative institutions.

I should point out here that our cooperative institutions, especially credit cooperatives, have also been victims of politicization. In many parts of the country these institutions are being used as levers of political power. Elections to the boards of

cooperative banks and other institutions have become an arena of rivalries between parties and individuals.

All this saps the cooperative spirit of these institutions. It prevents them from being run on professional lines.

Bad debts and losses mount. Irregularities grow. Stories, both real and imaginary, of corruption and favoritism spread.

This erodes the faith of members and the general public.

The resultant problems and controversies become a pretext for further tightening of bureaucratic control over the cooperatives.

This vicious circle is at the root of financial and organizational ill-health of our cooperatives. I, therefore, strongly urge the Chief Ministers and all the political parties to help de-politicize, de-bureaucratize, democratize, and professionalize our cooperative institutions.

I also urge the leadership of the cooperative movement, and members of cooperative institutions, to keep pace with the broader developments in the economy. They should marry the positive philosophy and ethos of cooperation with modern practices of professional management.

We cannot brook any delay in the establishment of better norms of cooperative governance and strict adherence to them by all concerned.

The Task Force, under the Chairmanship of Shri Jagdish Capoor, has studied these issues and provided a useful basis for the agenda of this conference. I congratulate the members of the Task Force for making a comprehensive analysis of the problems of rural credit cooperatives and presenting to us wide-ranging recommendations. They have suggested a four pronged strategy of strengthening the rural cooperative credit system that encompasses financial, operational, organizational, and systemic aspects.

Specially, the Task Force has recommended a comprehensive package of revitalization of the cooperative structure, besides a Cooperative Rehabilitation and Development Fund, and a Mutual Assistance Fund. I request you all to give serious thought to this package.

The Task Force has addressed the issue of duality of control

over cooperative bodies. Cooperation is a state subject in our Constitution. At the same time, credit cooperatives are also subjected to supervision by the RBI and NABARD. This has given rise to some problems. I hope that the deliberations of this conference will help us arrive at a consensus on this issue.

All of you will agree with me that certain hard decisions may have to be taken to reliably and speedily achieve revival of cooperative credit institutions. Those cooperatives that have no hope of revival may have to be wound up. Such difficult but unavoidable decisions can only help us in the long-term.

Friends, the complexities of the financial system are growing. The requirements of credit in agriculture and rural sector are changing fast, with rapid changes in the production and marketing scenarios.

While economic reforms have been addressing the problems of the rest of the financial system, they have so far left our cooperative sector relatively untouched. The Task Force report will help remedy this deficiency.

To have the benefit of wider consultations on all these issues, we have called for this Conference of Chief Ministers. I am confident that this conference will lead us towards consensus and thus help quickly revitalize our cooperative sector.

Now I would like to address the other very important item of agenda for the meet today, that is, the Rural Infrastructure Development Fund (RIDF). Commencing with an initial corpus of Rs. 2,000 crore during 1995-96, the Fund has now grown to a massive Rs. 23,000 crore. Development of rural infrastructure such as roads and bridges, communications, irrigation, drinking water supply, flood control healthcare, education, etc. are essential to stimulate economic growth and improve the quality of life in the rural and backward areas.

Such infrastructure investment will require huge resources and efforts of the Central and State Governments must be complemented by programmes, like the RIDF, which has a big role in strengthening rural infrastructure.

Considering the requirement of the North-Eastern States and Sikkim, I had announced at Guwahati in January 2000 that

at least Rs. 500 crore of RIDF funds each year would be made available to these States. Despite the Ministry of Finance, the Home Ministry, and NABARD having held various meetings with State Governments to emphasize the need to prepare proper project reports to use RIDF moneys, there has been poor disbursement.

In the last two years, only Rs. 258 crore was disbursed. For Manipur, there was no disbursement in the last three years. I suggest that Shri Yashwant Sinha have a special meeting with the Chief Ministers of these States and work out a suitable way to increase disbursement of RIDF funds.

I am happy that the Finance Ministry is organizing this conference at the highest level and am sure that the intervention of the Chief Ministers will pave the way for finding lasting solutions to these issues. I wish all success to this endeavour. □

# India in the Global Map of Business Schools

Today is a happy day in the annals of higher educations in India.

The Indian School of Business is a worthy addition to the many top-class institutes of higher learning in our country. It is also one that promises to considerably strengthen India's place on the global map of business schools, because of its collaboration with top-ranking institutes like Kellogg, Wharton, and London Business School. I am, therefore, pleased to be associated with its inauguration today.

The speedy journey of the Indian School of Business from concept to completion is itself a case study of the world-class management capabilities of the new generation of Indians who have promoted it. Sometimes in Government, a project that is conceived by one government is completed only in the tenure of the next government, or even in the government after the next! But your institute has set a new benchmark for project implementation.

However, knowing that this School is located in Hyderabad, I am not surprised. Shri Chandrababu Naidu Gaaru wants everything done yesterday! I remember how the Hi-tech City in Hyderabad, which I inaugurated three years ago, was completed from ground-breaking to ribbon-cutting in exactly fourteen months.

Chandrababu Naidu and the people of Andhra Pradesh have every reason to be happy with today's event. Because, we will also be laying the foundation stone for the headquarters of the Insurance Regulatory and Development Authority later today. I

am sure that Chandrababu will ensure that it too will come up in record time!

I'll be especially happy if that happens. For I'll have the satisfaction of knowing that we carried through the insurance-sector reforms - from legislation to implementation and institutionalization - all in half of the tenure of our Government. I wish to see many more projects to get completed with the same speed in this year, which we have declared as the "Year of Implementation".

Friends, no one can begrudge the special pride that the Chief Minister of Andhra Pradesh feels today. For, he has "fought" hard to get both these prestigious institutions to be located in his State. Let me hasten to add that I am using the word, "fight", in a very healthy and welcome sense. It connotes the new spirit of competition among the different States of India.

Those States that are more enterprising, hard-working, and persevering, will naturally get ahead in this era of competition. But the beauty of this competition among States is that, whoever wins, it is India that ultimately wins.

The key that will unlock the full potential of all our States - of one billion Indians - is education. We have seen how a small percentage of Indians, who are fortunate enough to avail of good education, have contributed so much to our nation's all-round progress. The Planning Commission's recent document on how to make India a "Knowledge Superpower" has some revealing figures. It says :

- Around 90 per cent of School-age children in India go to primary School.
- However, of those that go to primary school, just over 30 percent appear for the tenth standard examination.
- The nation-wide pass percentage in this examination is around 50 per cent.

This means that out of 100 children of school-going children only 13 or 14 will pass the tenth standard examination. I am told that in South Korea, for example, this figure is 68 per cent. Which perhaps explains why Korea has made such rapid progress,

although India and Korea had a comparable development index forty years ago.

The figures that I have just mentioned should not create the misleading impression that, those who are not fortunate enough to have completed their school education, are not knowledgeable. As a matter of fact, they have a wealth of knowledge. If properly harnessed through an affordable, relevant, and universally accessible education system, this reservoir of knowledge can miraculously transform India.

The point I wish to emphasize is that, so far, only a tip of the "Knowledge Iceberg" is what we see today in India. We need to pay focused attention at all levels of the education pyramid - from primary education right up to the most advanced education in science, technology, medicine, management, and other professions.

There is yet another compelling reason for us to intensify our efforts to expand and improve our education infrastructure. India is becoming a "Young Nation" in a literal sense of the word. In twenty years from now, as many as 45 per cent of Indians would be in plus twenties. Against this, twenty years hence, a large percentage of the population in today's advanced nations would be of senior citizens.

This means that young men and women from India, well-educated in diverse professions, would be in great demand as knowledge workers all over the world. Of course, this trained and enriched human resource will also contribute to India's all-round national renewal.

I would like the educational system in India, both in the Government and private sector, to gear itself up to tap this great demographic opportunity. To some extent, this is already happening. Many of our bright young professionals have earned a shining name for themselves and for their motherland in many foreign countries, where they are working. What they have done in the field of information technology and management is a matter of pride for all of us. They are making the rest of the world look at India with a new sense of admiration.

Here, let me especially recognize Shri Rajat Gupta, who is one of the driving forces behind this institute. He symbolizes the many successes of Indian management professionals abroad.

But I would like to think that this is just the beginning and the best of India is yet to come. And it will come, among other things, through centres of excellence like the Indian School of Business.

I would like to compliment your school for one more reason. In many ways, it is a manifestation of the patriotism and gratitude that successful Indians have towards their motherland. This beautiful campus has come up thanks to the futuristic vision, the philanthropic resources, and the collective action of many Indian businessmen in India and abroad.

In olden days, students on completion of their education gave "Guru Dakshina" to their teachers. What you have done is, what I call "Rashtra Dakshina". This is in line with the same hallowed Indian tradition, applied to modern times.

While I have no doubt that the ISB will emerge as a front-ranking institution among management schools worldwide, I hope that it absorbs the lessons that have led to a number of our professional institutions in technology, management, and medicine being acknowledged as among the finest in the world today. I believe that the key to credibility is impartial and open competition for admissions and faculty recruitment, with no influence whatsoever from any quarter, including from business houses and the Government.

A few words about the challenges of Management in India. I am not an expert. But after assuming the executive responsibility in government, I have become acutely aware of the importance of good management of all our national resources, assets and institutions - above all, the management of the most precious resource, namely, time. Often, I think that the difference between success and failure, or even between success and better success, lies in how well we manage our work.

I am not here referring only to the big tasks that involve ministers, senior bureaucrats, and highly qualified executives. Every

task, however small, however mundane, requires proper management. Indeed, the Bhawad Gita has elevated management to the status of yoga. It says: "Yogah Karmasu Kaushalam", which means that yoga is action executed with skill.

And management is the acquisition, organization, and deployment of diverse skills to achieve specific results. What we therefore need is a management education system in India that enriches the skill sets of each and every one in our working population.

We need our farmers to be trained in how to better manage their land, water, crops, and finances. We need to train our vast army of workers in village panchayats and municipal bodies in better civic management. We need to upgrade management practices in our transport and power sectors so that we save on energy and material costs. We need to improve management on our shopfloors and in our workshops to achieve the same objective.

We also need continuing management training for government employees and officers to make them result-oriented, since administration and management are largely synonymous. Already, the Centre as well as several States, including Andhra Pradesh, are taking steps to impart management education to their officers. This needs to be further expanded.

In short, management should be seen as an all-encompassing need in nation-building. It should not be seen as something that is useful only in the corporate world. Of course, we need it there too. This demand will be met by institutes like the one that you have set up, or the many Indian Institutes of Management that have already earned so much distinction. We need more such topclass institutes to produce professionals for both the Indian and global companies.

At the same time, we should have some elementary management education even in our college and vocational training system. The basic principles and techniques of management should also be taught in non-English languages. Equally important, such basic management education should be affordable, and not have

a prohibitive price tag. I would like serious thought to be given to fulfill this national need.

With these words, I conclude my remarks. I extend my best wishes to both the Indian School of Business. I am confident that it will serve the nation with dedication and distinction in the years to come. □

# India - A Paradise for Global Investors

*"Jaya jaya komala Kerala dharani  
Ella Malayalikalkum ente abhivadanam!"*

I have attended many gatherings of investors and businessmen in Delhi and in other States. But I am particularly pleased to be here today to inaugurate Kerala's first-ever Global Investors' Meet. I see a new hope in this for Kerala. And I see my confidence in India's bright future further reinforced.

I must thank your Chief Minister, Shri A.K. Antony, for inviting me to this conference. I have known Mr. Antony for many years. I have always admired him for his simplicity and gentleness. After he has become your Chief Minister, I now also admire him for his zeal for reforms and change as a way to ensure acceleration of Kerala's all-round development. This Global Investors' Meet is a testimony to this commitment.

Kerala has always fascinated me. This strip of verdant land between the blue sea and green mountains has a richness that is divine to any eye. No wonder that even the predecessor government, whatever their views on matters godly, chose to continue to project Kerala to the outside world as "God's Own Country".

I see Kerala's greatness in the Gopurams of its temples, the spires of its churches, and the domes of its mosques. I am filled with awe when I think of the young boy from Kaladi, Sankara, who travelled all the way to Kashmir and Kedarnath and illumined the entire Bharat with his intellectual brilliance. What a glorious tradition of peace, harmony and social reform you have inherited. What a progressive spirit your State has breathed down the ages.

One of the first ever satyagrahas in India for temple entry for lower caste Hindus was organized in Kerala. Some of the inspiring chapters in the struggle for social equality and workers' right were written in Kerala.

Kerala has never lived only for itself. It has always lived for India. Your poet laureate, Mahakavi Vallathol wrote and I quote:

*Bharatam enna peru Kettalabhimana*

*Puritaamakanam antharangam*

*Keralamenna peru kettal thilakkanam*

*Chora namukku njarampukalil*

(When we hear the name Bharatam, our hearts should be filled with pride,

When we hear the name Keralam, blood should surge in our veins with pride.)

Kerala has never been inward-looking. It has always looked and forayed beyond its shores. Your mahakavi Pala Narayanan Nair sang:

*'Keralam valarunnu pashchima ghattangale*

*keriyum kadannum chennanaya desangalil'*

(Kerala grows crossing the Western Ghats And reaches far corners of the world.)

This is not mere poetry. It is the reality of life in Kerala. I am amazed to know that as many as 25 lakh people from Kerala are working in different parts of the world, mostly in Gulf countries. Three times that number work in other parts of India. Nearly half of the Rs. 55,000 crore remittances from NRIs so far have come from your emigrant brothers and sisters, working as technicians, nurses, teachers and in scores of other professions.

Not only Kerala, but India too has been enriched by them. Not only Kerala, but India as a whole has earned praise for their talent and hard work.

Friends, let me, however, confess that I am equally amazed at another feature of contemporary Kerala. On the one hand, your State perhaps the oldest and the strongest links with the global community. On the other, it sometimes exhibits a strange tendency to ignore the winds of change in the global as well as the national economy.

On the one hand, people from Kerala have shown exemplary entrepreneurship whenever they have ventured out in other parts of India and the world. On the other, they do not feel inspired to invest in Kerala itself to start industrial and business ventures, and create wealth and employment opportunities here.

There is an impression that Kerala does not offer a business-friendly climate, either for outside investors or even for its own entrepreneurs. It is seen as a good place to sell goods because there are many people with high incomes, but not as a good place to set up industrial and other business ventures.

I am told that there is a Malayalam movie called "Varavelppu" in which your famous actor Mohan Lal acts as a Gulf-returmed Keralite. He invests his savings in a small business venture with high hopes. But in the end, he is forced to close it down after going through many unpleasant experiences.

Therefore, this conference should serve as an occasion for introspection.

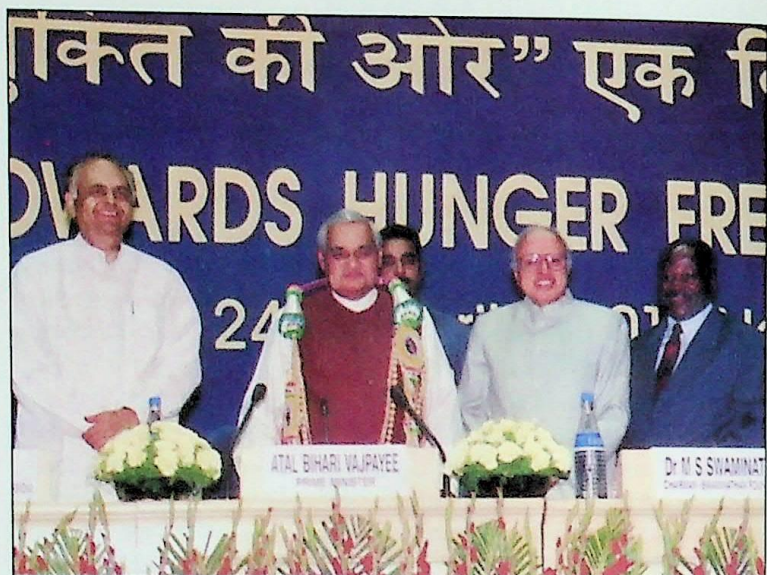
- Why is it that Kerala, in spite of its exemplary record in social development, has lagged behind in economic development?
- In spite of possessing rich and abundant natural resources, why is the rate of unemployment in Kerala almost three times higher than the national average?
- If the State's rate of economic growth remains low, how can it sustain its widely and rightly acclaimed "Kerala Model" in health, education, women's empowerment and other social indicators?
- Will - and should - future generations be deprived of these benefits because of the present generation's resistance to change?

I am not the only one having these concerns. Many renowned economists and intellectuals from Kerala, and Kerala's well-wishers outside, have been asking these very questions.

I have heard Keralites from all walks of life, and especially those working outside, saying that the State now needs to look ahead, and not remain trapped in outdated dogmas and sterile ideological debates. I have heard them asking themselves a recurrent question "While workers' interests should certainly be



Prime Minister Shri Atal Bihari Vajpayee waving at the crowd after unfurling the tri-colour at the ramparts of the Red Fort, Delhi, 15 August 2002



Prime Minister Shri Atal Bihari Vajpayee inaugurating the Consultation on 'Towards Hunger Free India', New Delhi, 24 April 2001



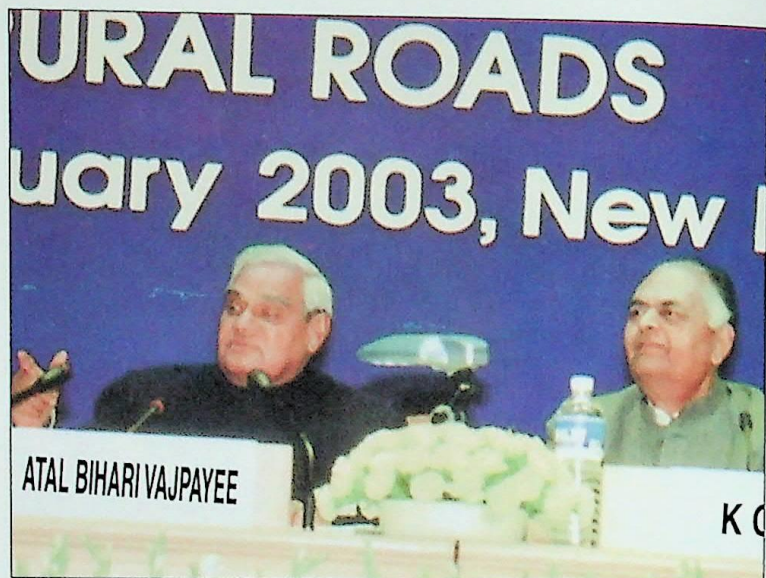
Prime Minister Shri Atal Bihari Vajpayee at the Full Planning Commission Meeting, New Delhi, 5 October 2002



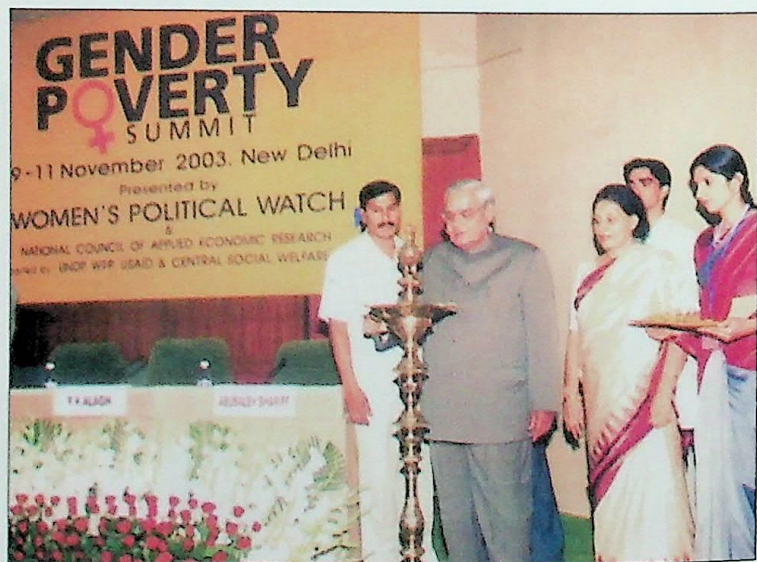
Prime Minister Shri Atal Bihari Vajpayee speaking at the Economic Advisory Council, New Delhi, 13 July 2002



Prime Minister Shri Atal Bihari Vajpayee at the Special Plenary Session of Fourth India EU-Business Summit, New Delhi, 29 November 2003



Prime Minister Shri Atal Bihari Vajpayee speaking at the National Conference of the State Ministers of Rural Development, Panchayati Raj and Public Works, New Delhi, 27 January 2003



Prime Minister Shri Atal Bihari Vajpayee inaugurating the 'Gender Poverty Summit', New Delhi, 9 November 2003

protected, is it in the workers' interest or the State's interest to discourage investors though frequent strikes, gheraos and attimari. Shouldn't we unload this historical burden from our heads and build a New Kerala?"

It is not for outsiders to answer this question for you. You have to answer it yourselves.

I am happy to note that Kerala has already started to indicate what that answer would be. Right here in Kochi, you have built, through privately raised funds from mainly your own people, the most attractive airport in the country. You have set up a large Information Technology Park. NASSCOM has recently ranked this city as the second most competitive destination in the country for IT-enabled services, which can create tens of thousands of employment opportunities for our educated youth.

And what can I say about your highly successful tourism promotion campaign? Just this that it has motivated several other States to emulate you. I can tell you that it even motivated me to choose the scenic backwaters of Kumarakom for spending my year-end holidays two years ago.

Today I would like to assure you that the Centre is willing to fully stand by you in your process of change and reform. Our track record of the past nearly five years testifies to the fact that the Centre has never allowed political considerations to influence our dealings with any State. Over the next few years, Kerala will see Central investments of over Rs. 10,000 crore in projects of PSUs like the capacity expansion of NTPC's power station at Kayamkulam; upgradation of Bharat Petroleum Corporation's Kochi Refinery; and mineral exploration jointly by NMDC and Indian Rare Earths Limited.

Vallarpadam International Container Terminal has been a longstanding demand of your State. I am happy that all the hurdles in this highly promising project have been finally removed and work would commence within the next few months.

In addition to these Central Government investments, Kerala has the potential to absorb huge private and foreign investments in sectors that have already been identified by the State

Government. This conference provides the right platform for investors to take a close look at these opportunities and firm up their investment plans. Wherever there is an interface with the Central Government, rest assured that you will receive every kind of assistance, facilitation and support.

Friends, the path of economic reforms that we have embarked upon in India is not a matter of short-term expediency. On the contrary, it is the outcome of a well-considered long-term strategy to tap our immense resources and the talents of our people in order to realize our goal of a better life for all our citizens. Let there be no doubt that our objectives continue to be the removal of poverty, employment generation, environmental protection, and social and gender justice. To achieve these objectives, we must accelerate economic growth. The key to this is enhancing the competitiveness of our industries and business to global standards, by providing a conducive investment climate.

Wherever I go in India these days, I see a sense of urgency among the people to achieve faster and more balanced development. It is now for the political and governing establishment to reflect this sense of urgency in everything we do. I, therefore, invite you to participate in this endeavour in partnership with the Centre, so that we all move together towards creating a more prosperous, equitable and vibrant India, benefiting all sections of our diverse society, and especially the poor and the underprivileged.

Before I conclude, I would like all the domestic and foreign investors to share my great faith in the resilience of Keralites. They have proved time and again that they have the grit to survive against all odds. I can see a new mindset getting formed, a new mental churning taking place in Kerala. There is now a burning desire in the hearts and minds of many Keralites to make up for the lost time. And that desire is gaining critical mass. Therefore, I am confident that this conference, at which the esteemed leader of the Opposition is also present, will be a precursor to many more positive changes to come, many more bold initiatives to be adopted.

I can already see that in the near future, Kochi will create the same business buzz nationally and globally as Bangalore and

Hyderabad have done in recent years. And that a new and revitalized Kerala will emerge as yet another powerhouse of prosperity and all-round progress for the benefit of all the people of this wonderful State as well as our great country. ☐

# Strategies for Energy Conservation

I am happy to be present at the inauguration of this International Conference on 'Strategies for Energy Conservation. I commend the organisers on their timely initiative. It is well known that the energy consumption of countries are closely related to their levels of development. Without adequate and cost-effective energy supplies, economic growth rates may be badly affected. This is particularly true of developing countries where per capita levels of energy use are low. India is no exception to this rule. Our economic growth prospects are closely tied to the quality and quantity of energy we are able to provide.

However, energy requirement is one thing, and energy supply is another. For too long, the world has focussed on increase in energy supply, including, in particular, through electricity generation. However, there is now increasing realisation that most grid based power supply, transmission, and distribution systems are wasteful, and by saving energy, more of it can be delivered at lower cost to the user. Similarly, energy is useful, not in itself, but for the services it can provide. If the services provided by energy use can be delivered using less energy, in many cases this would be economically beneficial. Again, almost all conventional energy systems involve adverse environment impacts on local, regional and global scales.

If energy is conserved in generation, transmission, distribution, and end-use, all such environmental impacts would also be reduced. For example, our second largest public health problem is indoor air pollution from biomass cookstoves.

Replacement of traditional *Chulhas* with energy efficient designs would reduce such health impacts, pressure on forests, and the drudgery of rural women who have to spend hours each day collecting fuelwood. Finally, dependence on imported fossil fuels exposes our economy to highly volatile global hydrocarbon markets. Through cost-effective energy conservation, this exposure can be substantially reduced.

India's cost-effective energy conservation potential has been estimated by the Planning Commission at 23 per cent of total commercial energy generated. In the power sector, our peak and base load shortages are 8 per cent and 13 per cent respectively. A national movement for energy conservation can significantly reduce the need for fresh investment in energy supply systems in coming years. It is imperative that we make all-out efforts to realise this potential. Energy conservation is an objective to which all of us in the country can contribute. Whether a household or a factory, a small shop or a large commercial building, a farmer or a office worker, every user and producer of energy can and must make this effort for his own benefit, as well as that of the nation.

With precisely this objective in mind, my Government has enacted the Energy Conservation Act. The Act promotes competition, Sharing information, creating awareness and motivating stakeholders. It encourages a transparent, self-regulatory mechanism and the use of market incentives to promote energy efficiency, while carefully avoiding intrusive regulatory mechanisms.

A statutory Bureau of Energy Efficiency has been established. The Bureau has prepared a comprehensive Energy Conservation Action Plan. I am happy to release this Action Plan to the Nation today. We look forward to the implementation of this Action Plan over the coming weeks and months. We invite our financial institutions, research institutions, voluntary organisations, the corporate sector, and other development partners, including multilateral and bilateral agencies, to partner all levels of Government - Central, State, Panchayat, and Municipal, in implementation of all aspects of the Action Plan.

I am very much aware that the Government of India, including Public Sector Undertakings (PSUs), the Railways, Airports, Ports, and Defence establishments is the single largest consumer of energy in the country. My Government is committed to setting an example by implementing the provisions of the Energy Conservation Act in all its establishments. I am happy to announce today that Hon. Rashtrapatiiji has kindly agreed that an energy audit may be carried out of the Rashtrapati Bhavan, with a view to implementing energy conservation measures. Similar energy audits of the North and South Blocks of the Central Secretariat would also be carried out.

I call on all Government organisations to reduce their energy consumption by 30 per cent in the next five years. An effective method to achieve this target, which has already been proven in several public buildings, is through contracts for guaranteed levels of energy efficiency improvements involving energy service companies. I urge all Ministries and Departments of the Government of India and the PSUs under them to provide information on the steps taken towards this goal in their Annual Reports. I urge the Ministry of Power to assist other Ministries, in particular the CPWD, in implementing such programmes through creation of awareness and capacity building. The Ministry of Finance should facilitate viable lending by financial institutions to energy service companies for implementing this programme.

I call on the chief Ministers of all States and Union Territories to similarly implement energy conservation measures required under the Act in all State and Municipal Government establishments. If the Central and State Governments provide the lead, the private sector, and even households will surely follow because energy conservation makes economic sense. The Ministry of Power must create wide awareness of the fact the energy efficiency projects are financially viable and accordingly, may be commercially financed. We look forward to energy savings of 20 per cent over the next five years from the private sector.

In this national endeavour, I am certain that our *kisans* will, as always, respond magnificently. Agriculture is also a major user

of energy, with a large potential for energy savings. With acceleration of power sector reforms, termination of the Administered Pricing Mechanism for petroleum products, and inevitable reduction of energy subsidies, our *kisans* will gain enormous benefits from energy conservation measures. These measures will also help optimally utilize, and conserve, surface and ground water sources. However, they will need technical guidance, and access to credit for purchase of energy efficient equipment. The Ministries of Finance, Power and Agriculture should jointly respond to these requirements.

Friends, for too long, throughout the world, energy “conservation” has in practice meant energy “conversation”. This time, I ask of all of us, to “walk the talk”. □

## Speeding up Island Development

I am very pleased to be here with all of you for the Tenth Meeting of the Island Development Authority (IDA). This Meeting is being held soon after the adoption of the Tenth Five Year Plan by the National Development Council last month. This is symbolic of the special attention that we are according to the development of our Islands as an integral part of India's all-sided development. It is pleasing to know that the IDA is meeting again in Port Blair for the first time after its inaugural meeting in 1986. But it is not so pleasing to know that the IDA is meeting after a gap of nearly six years. I would like it to meet more regularly in the future. I am, however, happy to note from the address of the Deputy Chairman, Planning Commission, who also chairs the Standing Committee of the IDA, that the Standing Committee has been meeting regularly.

The Islands of Andaman & Nicobar to our east and Lakshadweep to our west are a gift of nature to India. They are perfect manifestations of the infinite beauty and delicate balance, which Mother Nature strikes in her work. The lush green tropical rain forests housing priceless bio-resource; the many unique tribes who have inhabited these islands for ages; the treasure of living coral atolls that is one of the finest in the world; and the sea that reminds us of India's vastness as well as our geographical closeness to South-East Asia on the one hand and Africa on the other—all these features endear us to our Islands. These natural strengths have to remain as the bedrock of development strategies for these Islands.

The Andaman & Nicobar Islands have an honoured place in the history of India's Freedom Movement. The Cellular Jail in Port Blair narrates the story of the immense sacrifices made by our indomitable freedom fighters. The names of Veer Savarkar, Bhai Paramanand, Mahaveer Singh and others, as also the countless unnamed patriots of India's First War of Independence, have made this place sacred for us. Today we also proudly recall that Netaji Subhas Chandra Bose unfurled the Tricolour here before it was raised on the mainland. We need to take more it was raised on the mainland. We need to take more effective steps to make successive generations of Indians aware of this inspiring saga in Indian history.

In post-Independence decades, Andaman & Nicobar Islands have become home to a vibrant and industrious community, reflecting the rich linguistic and religious diversity of our society. This too is something we cherish. In recent times, the importance of these Islands in India's strategic matrix has grown considerably. Therefore, we have established a joint Tri Service Andaman & Nicobar Command, controlling the assets of the three Services and the Coast Guard. This is the first ever joint Command in the country.

Because of their historic contribution, their ecological richness and fragility, and their distant but strategic location, we need to adopt a different approach for our Islands development. The usual development plans for the mainland cannot be super-imposed on them. We have accordingly been encouraging innovative yet careful approaches for the development of these islands, while keeping in mind the aspirations of islanders. We need to always look at the problems in their totality, with rigorous and in-depth set of studies. In this context, I am pleased to note that the Planning Commission has taken up the task of preparing Development Reports for both Andaman & Nicobar Islands and Lakshadweep, with a view to setting out a medium-term perspective on holistic strategies for employment generation and accelerated development of the Islands.

While accelerating the pace of development, we need to be careful that we do not cause any irreversible damage to the

unique, ecological and cultural heritage of these Islands. At the same time, clearly, we cannot allow these Islands being kept as 'hot house' specimens without allowing any constructive changes. It is the inherent right of every human being to seek a reasonable share in the fruits of civilization. In this context, I would like to briefly share with you two thoughts. one, we need to evolve innovative and ecologically sustainable ways of promoting Island Tourism, for which there is an immense untapped potential both in Andaman & Nicobar Islands and in Lakshadweep. My recent visits to Bali and Maldives have convinced me that we need to learn from successful initiatives in this regard elsewhere in the world. We need to take effective steps to enable more and more mainland and foreign tourists, many of whom go to nearby destinations in South-East Asia, to come here.

Secondly, we should give greater thrust to such other economic activities, which will reduce the local people's dependence on Government jobs and land-intensive and low-yield agriculture. Two areas that can create large-scale employment, self-employment and business opportunities are development of fisheries and high-value horticulture and plantation crops appropriate to the agro-climatic conditions here. For this, suitable human resource development strategies will have to be worked out.

I am happy to note that the Ministry of Home Affairs and the Department of Space have taken important decisions to improve these Islands' connectivity, both internally and with the mainland. Pawan Hans Helicopter Service between Port Blair and other islands will be introduced shortly. For this, 90 per cent subsidy on the fare will be given to islanders. Secondly, Indian Space Research Organisation (ISRO) has established telemedicine connectivity to the Islands of Lakshadweep and Car Nicobar with the mainland. Telemedicine connectivity between Port Blair and the mainland is already in successful operation.

Many issues of an administrative nature, which are of utmost concern to the islanders, but which the IDA Meetings cannot obviously accommodate, have been resolved in the Standing Committee Meetings. Further, the multi-pronged development thrust

given in the Tenth Plan through higher outlays, closer interaction and regular monitoring is welcome. Both the Andaman & Nicobar and Lakshadweep Islands have made considerable progress in democratic decentralization. This is both useful and necessary, given the wide geographical dispersion of the population residing in these Territories. All steps in this regard deserve to be encouraged. At the same time, in any democratic set up, Constitutional jurisdictions need to be respected, and the various wings of governance have to work together harmoniously for the common good.

The Island Development Authority is a very special arrangement that has been put together considering the special problems that the Islands are faced with. The convening of an IDA Meeting is an occasion that reinforces the intention of the Government in working for improvement of the lives of the people resident here. The institution of IDA is intended to enable integrated high-level decisions to be taken on issues of concern. I trust that it will be so in this Meeting as well. I view this as an opportunity of renewing our commitment to the rapid and peaceful development of these territories and I expect the whole-hearted cooperation of those who have assembled here in undertaking this challenging task. I look forward now to hear your views and suggestions on agenda items slated for the Meeting. □

## A Workable Action Plan for Small-scale Sector

At the outset let me wish all of you Merry Christmas. Also, my greetings to you for the New Year. I do hope that the foreign delegates will have a pleasant and comfortable stay in India.

Small and Medium Enterprises (SME) have always been the engine of growth for every country, in developing as well as in transition economies. Their role in building a solid industrial base can be gauged from the fact that they represent over 80 per cent of industrial enterprises of most developing countries. They, along with micro enterprises, have been identified as high potential sector for employment generation and source of livelihood to millions of people in Asian, African, and Latin American countries. There is a popular misconception that Small and Medium Enterprises do not count for much in developed countries. Facts, however, reveal that they are almost as dominant in the economies of the most developed countries as in the least developed countries.

Many developed economies owe their industrialization to small and Medium Enterprises. Around 99 per cent of seven million units in Japan - one of the most industrially advanced nations of the world - are Small and Medium Enterprises. They account for about 80 per cent of total employment of around 55 million persons. Around 52 per cent of the Japanese total exports emerge from this sector. Similarly, Small and Medium Enterprises constitute around 99 per cent of all businesses, employ over half of the workforce and generate 54 per cent of the sales revenues in USA.

The same is more or less true about other developed economies. Therefore, it is a bit of a misnomer when we call them small scale industries or Enterprises. The size of the individual industry or service enterprise may be small, but together contribution is truly big. Hence, the attention that Governments and financial institutions ought to pay to them has also to be great.

While achievements in this sector are many, these, however, are dwarfed by the task that is ahead of us. This Sector today is at crossroads in our country and the world over. True, it has the flexibility to adapt to the changes much better than its larger counterparts. But it is also true that the process of globalisation has impacted Small and Medium Enterprises much more than larger business enterprises. The opening up of national economies, the coming down of trade barriers, the constant arrival of new range of products, and the introduction of ever new processes of production and service provision, have transformed the business operations of Small and Medium Enterprises. The unprecedented strides in information and communication technologies have also necessitated readjustments.

It is not that this process has only created problems for Small and Medium Enterprises. No. It has also opened up boundless new opportunities to innovative enterprises. It has practically reduced the entire world to boundaryless single large market. The challenge before Small and Medium Enterprises is how to capture these opportunities and, at the same time, to reduce the chances of failure.

Today, margins across industries are rather thin and a slight change in costs abroad, or even within a nation, can undercut one's competitiveness. Small and Medium Enterprises are particularly vulnerable to such volatile developments because of their low resource base. Frequently, this causes sickness in the sector and sometimes leads to closure of units. The turbulence is both in terms of new startups and closures. Globally, it has been estimated that up to 50 per cent of SME start-ups in most economies do not survive the first five years of operation. India is no exception and we too have our share of sick industries.

Friends, you will agree that mere numbers and economic terminologies cannot adequately capture the underlying meaning of this phenomenon. Like all economic phenomena, it leaves behind a profound social and psychological impact. When enterprises close, or when the spectre of unemployment looms over workers, it affects the livelihood and the quality of life of their families. This is a global phenomenon, although its severity may be felt less in some places and more in others. Hence, there is a need for serious global thinking on how to ensure greater stability of Small and Medium Enterprises, how to provide greater social security for those working in these sector, and, at the same time, how to retain the dynamic force that drives this Sector.

I am sure that your Conference will address many aspects of this challenge. I would urge your to especially consider the problems before Small and Medium Enterprises in developing and least developed countries. The huge resources available with the transnational financial institutions controlled by the developed economies are not adequately serving the needs of the SME sector. Even national financial institutions are not sufficiently responsive to the needs of this Sector.

For example, in India Small and Medium Enterprises today pay the highest rates of interest on the moneys that they borrow, and which only the banks can give them. It is somewhat ironical that individuals who want to borrow to buy a house today pay around 10 per cent interest; many big companies can get money from the market directly at less than 10 per cent; but a small business has to pay 13 per cent or more. How is it that an individual borrower can get his expensive housing loan refinanced by another bank at a lower rate, but a Small and Medium Enterprise that borrowed two years ago at 15 or more, cannot?

Of course, it will be said that there is greater risk involved in lending to Small and Medium Enterprises. No doubt, there is much truth in it. Yet, the challenge before all of us is how to reduce that risk, and how to increase stability, sustainability and the success rate of this Sector.

Many people in this gathering know that India has consciously promoted the development of the Small Scale Industry. We

introduced a new comprehensive policy package for Small Scale Industry and the tiny sector in August 2000. These include support on fiscal, credit and infrastructure aspects, technology and quality improvement, marketing assistance and streamlining rules and regulations.

At the same time, governmental and semi-governmental agencies need to do much more to act as facilitators, so as to make our Small and Medium Enterprises more competitive. While eleven years of liberalization have given big businesses much more freedom to operate, the inspector Raj still stifles small businesses. While the big can still afford to deal with a myriad of rules and rulings, those whose whole business often comprises only a dozen people (or less) cannot afford to have even one of them tied down in filling forms and "managing" the governmental system.

Therefore, I would like to reiterate what I have often said before. All enterprises - but especially Small and Medium Enterprises - must be speedily liberated from the heavy burden of untenable constraints and hurdles they face. This should be done by making necessary changes in the legal and administrative framework. Wherever necessary, rules, regulations, procedures and guidelines should be amended and simplified after taking Small and Medium Enterprises into confidence.

This global summit is an appropriate forum to address these and other relevant issues and chart out a workable action plan for the development of Small and Medium Enterprises. I extend my best wishes for the success of this Conference. □



# **TOWARDS SUSTAINABLE DEVELOPMENT**

TOURARDS STAYABLE  
DEVELOPMENT

## Special Focus on Sustainable Development

I am happy to be here with you this evening at the Second Delhi Sustainable Development Summit.

To start a good initiative is commendable in itself. To sustain it is even better. TERI deserves our congratulations, among other things, for showing its commitment to make the Delhi Summit a useful and sustainable event in the global debate on this vital subject.

The importance of this event in 2002 is even higher than that of last year because it is taking place six months before the Johannesburg World Summit on Sustainable Development. If we look back, we see several important milestones in the global movement for sustainable development. At each new milestone, the movement has shown expansion. It has also shown its effectiveness in influencing developmental thinking in governments and in other key constituencies.

The Stockholm Summit of 1972 had only two Prime Ministers attending it. I am proud to say that one of them was the Prime Minister of India. In contrast, the Rio Summit a decade ago was a big event.

Most of the critical issues in sustainable development have been widely debated in these and other international, regional, and national forums. Solutions to several problems are known in greater clarity now than before. What the world needs is far greater commitment, especially, from industrialized nations. I shall comment on this matter later in my address.

What I wish to underscore right at the outset is the common hope that all of us here share that the Johannesburg Summit will help in concretising such consensus for action. My own hope from the Delhi Summit is that it presents the issues on the agenda for Johannesburg in as clear and unambiguous terms as possible.

Long before the Rio Summit, we in the Government of India have taken several steps to bring environment and poverty alleviation into the ambit of decision-making in all aspects of public policy. In this period, there has been a healthy growth of non-government initiatives. The proof of this is that TERI, the organizer of this Summit, is itself a non-government research institute.

Civil society in India is therefore, fully engaged and involved in developing our agenda for the future. I assure this distinguished audience that we will further encourage and strengthen the partnership between the Government, NGOs, and the institutions of civil society in every area of development. A small but important step in this direction was the recent adoption of the Wildlife Conservation Strategy 2002.

All of us assembled today, both in government and outside have an over-riding aim, that is, to remove poverty and want throughout the world in general, and in India and other developing countries in particular. Of course, we need to do this in a way that is sustainable in terms of the environment as well as social justice. In this endeavour, we should learn the lessons of thirty years of action since Stockholm. We should also benefit from the new reality of globalization that no country can escape from.

Friends, we need to make both sustainable development and globalization work for the poor. Poverty is multidimensional. It extends beyond money incomes to education, healthcare, skills enhancement, and political participation at all levels from the local to the global. It is also determined by access to natural resources, clean water and air, and advancement of one's own culture and social organization. However, as we all know, alleviating poverty requires much more resources than now available to poor and developing countries.

Agenda 21 emanated from the Rio Summit as a unique effort by the global community to come up with a plan of action to re-orient development in the direction of sustainability. The Secretariat of the Rio Summit had estimated that \$600 billion would be required to implement Agenda 21 in developing countries.

Poor countries are expected to generate two-thirds of these resources themselves. The balance has to come from the developed world. However, they are not even fulfilling this lesser obligation. Clearly, they must give more resources, directly through higher aid, and indirectly by opening their markets to poorer nations. This form of indirect support is one way of making globalization work for the poor.

Therefore, imposing environmental or labour restrictions on the free movement of goods and services, in the name of selective aspects of sustainable development such as the environment or child labour, will only intensify poverty in the developing world.

Instead, we can make both sustainable development and globalization instruments to raise resources to remove poverty if we use innovative means. These may include specific multilateral levies on global natural resources used by rich countries, such as the electromagnetic spectrum or marine fisheries, to support sustainable development in poor countries.

Last year, in this forum, I had also suggested a levy on capital transactions across industrialized countries, and capital repatriations from developing countries for several specific poverty-alleviation initiatives. In view of the crisis in the Asian region a few years ago, I believe that this idea deserves to be debated widely and seriously.

Thanks to gatherings like this one, the necessity for transferring more resources from developed countries for poverty alleviation and environmental sustainability is now being accepted by opinion makers in these countries. Recent articles in the international press have also highlighted the advantages of doubling official development assistance by the richest nations. Many sessions of last week's meeting of the World Economic Forum in New York also discussed steps to make globalization work for the poor.

We cannot make the poor and the deprived wait any longer in their aspiration to live a better life. This is the first and foremost task in sustainable development. Our conferences and debates are pointless without a clear recognition and acceptance of this ultimate ethical responsibility for those of us who have been voted into government by the poor and for those in business and the professions whose privileges are sustained by the labour of the poor.

The flipside of poverty in the developing world is the huge environmental toll of consumerist lifestyles in the developed world. The per-capita consumption of natural resources in developed countries, as compared to developing countries, is generally of the order of twenty to one. In both absolute and relative terms, such consumption of natural resources is inherently unsustainable.

I am aware that several developed countries have adopted public policies aimed at greater use of renewable energy, recycling of materials, mass transport options, cycling, increased energy efficiency, organic farming, and the like. Such policies and practices need to be adopted more widely, and with greater rapidity. I understand that political support for them has been growing swiftly.

In the area of climate change, the principle of common but differentiated responsibilities requires all developed countries to take urgent action to reduce greenhouse gas emissions. However, the slow and inadequate progress of operationalizing the mechanisms of the Kyoto Protocol and its ratification leaves several doubts on the seriousness of leading industrialized countries to mitigate this problem.

We in the developing world would suffer the worst impacts of climate change. For example, every year I go to Manali, a resort town in the Himalayas, and I am concerned that, over the years, the place has been receiving less and less snowfall. This has affected the apple orchards that employ many poor people.

We in India have taken many steps to reduce pollution and thereby lessen our contribution to climate change. In particular, we have extensively supported the use of renewable energy. Other developing countries are also chipping in. However, unless the

biggest polluters take effective steps to curb emissions, the effects of climate change can only get worse.

Going beyond the harmful effects on our natural environment, we need to extend the concept of sustainable development to encompass the rights of all peoples to conservation and furthering of their cultural heritage, comprising their history, their historical treasures, their arts, their languages, and their societal and family organization. The global trading regime, and multilateral development agencies, should respect, and indeed further, this broader concept of sustainable development.

Friends, no purpose will be served by focusing only on failures of the past. We now need to move ahead. The Johannesburg Summit should come up with priority actions and a consensus for harnessing the forces of globalization and the regime of sustainable development to the goal of abolishing poverty. This alone can lift a large part of the global community from unsustainable livelihoods into globally sustainable development.

I am happy that this Summit is attended by distinguished persons from all over the world whose voices I hope will be heard in Johannesburg. My only advice while inaugurating this major event is to recall Mahatma Gandhi's principle of "Antyodaya", which means taking care of the last, of the most underprivileged and deprived. If we focus on the challenge faced by the most deprived communities in the world, the world would surely become a better place. □

## Interlinking of Rivers : A Major Task Ahead

I extend my felicitations to all of you on the occasion of the Curtain Raiser of the Freshwater Year 2003. The United Nations has proclaimed the Year 2003 as the International Year of Freshwater. By doing this, it has highlighted two inter-related objectives—promoting understanding and cooperation at the global level; and increasing the awareness about freshwater through programmes at the local and national levels.

Water sustains life. Now the time has come for us to sustain the availability of water. Civilizations have prospered on the banks of rivers. Many important cities of the world also have derived their sustenance from rivers. Today, however, it is rivers that are in need of sustenance. With the phenomenal increase in population, and the dramatic rise in living standards of people in many parts of the world, there has been a sharp increase in the demand for freshwater. The total availability of freshwater, on the other hand, has not increased.

To make matters worse, availability has actually dipped on account of man-made pollution. This is a cause for great concern, especially since the planet's population is projected to increase to about 8 billion by 2025. We in India face another problem. Rainfall is uneven across the length and breadth of our country. Also, it is not uniform throughout the year. This frequently causes the twin problems of floods in some parts and drought in others. The problem manifests in yet another peculiar way. Some areas, which receive abundant rainfall during the rainy season, face acute shortage of water during the rest of the year. The case of

Cherrapunji, which is one of the wettest places on the earth, comes readily to mind.

The situation is made worse on account of degraded catchments and excessive groundwater withdrawals. This has resulted in water scarcity in many rural areas, forcing migration of population to urban areas. This puts an additional burden on the already overstretched infrastructure resources in urban areas. Thus, we see how a disturbed water cycle in Nature has caused a vicious circle of distorted development in society.

Mother Nature is reminding us to learn proper lessons from the wrongs we have committed. We have to respect and restore the delicate balance in Nature. Water is not unlimited. Therefore, we have to be wise and farsighted in using it. This is the message of the Year of Freshwater. To translate this message into practice, we should make concerted efforts to stop its wastage anywhere and everywhere. We must work for augmentation and optimal utilization of the existing water resources. We have to harness the latest scientific and technological developments in water conservation and recycling. At the same time, we also have to adopt many of our time-tested traditional methods of water harvesting and management. The two tasks are not mutually contradictory. Rather, they supplement each other.

All of you know that the Government has recently taken a major initiative on the long-pending proposal of interlinking of rivers. We have set up a Task Force, under the Chairmanship of Shri Suresh Prabhu, with specific terms of reference. Its report would pave the way for starting the work on some of the feasible and environmentally sound components of this project. In recent weeks, I have come across some critical comments that in pursuing the ambitious river-linking project, we are neglecting the imperative of promoting small, village level water conservation projects. This is not true. I would like to reiterate what I have said earlier. The two are not mutually exclusive. Rather, they complement each other.

As a matter of fact, the Central Government has recently launched two important water-related rural development schemes.

They are *Swajaldhara* and *Yojana Hariyali*. Both are being implemented by Panchayati Raj Institutions. We want Panchayats and community organizations to play a crucial role in maintenance of village level water conservation projects. State Governments need to actively encourage community participation and "make water everybody's business" and not only that of Government departments. That would be one of the surest ways of ensuring water for all.

Nearly 80 per cent of the water requirement for irrigation, which is a major consumer of freshwater in the country, is met from ground water resources. It is, therefore, necessary to properly conserve and equitably distribute our groundwater resources. We must put an end to the indiscriminate exploitation of groundwater, which we see in some parts of the country. For this purpose, a Model Ground Water Regulation Bill was circulated to all the States for adoption some years ago. I urge the States to take immediate action in this regard.

Often there are misconceptions about the efficacy and desirability of inter-basin transfer of river waters. We need to remind the people in these basins that such transfers are not new. They have been carried out in the past with all-round benefit to people in these areas and to the country at large. Beas-Sutlej Link, Indira Gandhi Nahar Pariyojana, Periyar-Vaigai Link, and the Sardar Sarovar Project are some of the examples of such success stories. In the Sardar Sarovar Project, water has been transferred across five basins to reach the remotest parts of Gujarat, which suffered from scarcity of drinking water for a long time.

We are presently trying to amicably resolve the problem of sharing of Cauvery waters between Karnataka and Tamil Nadu. Cauvery joins these two neighbouring States. Therefore, the issue of sharing its waters need not divide them. I appeal to the people, political parties and Governments in these two States to help find a lasting solution to this problem through mutual understanding, spirit of accommodation, and by being guided by the overall national interests.

It is ironic that, although we consider our rivers holy, we are allowing river pollution to assume alarming proportions. A major

reason for pollution is disposal of untreated sewage from large and medium towns. The Tenth Plan has accorded a high priority to effectively tackling this problem. We need to implement the Ganga Action Plan and the National River Conservation Plan with a greater sense of urgency.

Friends, I believe that this is the right time to launch 2003 as the Year of Freshwater. Last year we adopted the National Water Policy, which requires the Centre and State Governments to initiate action on several fronts. Several parts of the country are passing through a severe drought. Although we have succeeded in keeping prices under control, and taken several relief measures, we need to move from short-term responses to long-term remedial measures. Therefore, let the Year of Freshwater be used as the Year of Action. Let us create mass awareness on the responsibilities and tasks of all the stakeholders in society and Government.

With these words I have pleasure in inaugurating the Freshwater Year and wish the programme all success. ☐

## Let us Create a New Future

...I am deeply saddened when I compare South Asia with other parts of the world. When Japan, which was devastated in the Second World War, today stands as one of the front-ranking nations; when the whole of Europe has united, forgetting all the old enmities; why can't we resolve all our contentious issues through talks?

We can. We will.

Why can't we unite and fight against our real enemy, the poverty?

This is a challenge. No one is going to come from outside and meet it for us.

The process of peace and democracy has now arrived at a decisive turn in Jammu and Kashmir, which has been grappling with terrorism.

Elections are going to take place in the State. The dates have already been announced.

I am confident that these elections will be fully free and fair. No one need have any doubts on this score.

I appeal to the people of Jammu, Kashmir, and Ladakh, as also to their representatives to participate actively and in large numbers in the elections and thereby demolish the motivated propaganda being conducted from across the border.

No one will be allowed to create disturbances in the elections in Jammu and Kashmir. All the designs to create an atmosphere of fear will be frustrated.

The people of Jammu and Kashmir want to live in peace. For many many years they have seen and suffered violence and bloodshed. They want to create a future for their children.

My brothers and sisters in Jammu and Kashmir, today is an opportunity when we can together heal these wounds. Together, we can participate in the creation of happy Jammu and Kashmir.

I would like that no citizen of the State feels alone and helpless. The entire Nation is with them.

I am confident that all the displaced people, including Kashmiri Pandits, will be able to go back to their homes with respect, in the new situation that will be created after the elections.

I wish to assure the people of Jammu and Kashmir that if any mistakes have occurred, we shall make amends. For this, we shall talk to the elected representatives and organizations. Discussions will also take place on the demand for more powers to the State.

The desire for peace is growing in India's North-Eastern States too. The demand for faster economic development is intensifying.

People are realizing the fact that the gun can snatch away life, but it cannot make people's lives better.

Our efforts for permanent peace in Nagaland are progressing towards success. We invite all those who have taken to the path of violence in other North-Eastern States for peace talks.

In addition to external difficulties, we also have had to grapple with nature. A large part of the country is reeling under a severe drought. In some places, floods have shown their wrath.

Standing crops are wilting, sown seeds have gone bad. Kisans are concerned. We share their concern.

The Government has taken every possible step to deal effectively with the drought. Our godowns are brimming with foodgrains. We will not let anyone die of hunger.

Relief is being reached to the weaker sections of society by extending the scope of the **Antyodaya Anna Yojana**. Under the Rs. 10,000-crore **Sampoorna Grameen Rozgar Yojana**, drought relief programmes are being speedily implemented. Five thousand crore rupees have been given to States to undertake various "Food-for-Work" activities.

Prices of essential goods are under control.

But all these are temporary measures.

The Government is now preparing an effective, long-term strategy to protect the country from the curse of drought and floods.

We will make concerted efforts to save every drop of water. We will have to adopt watershed management, rainwater harvesting, and all such techniques.

We will shortly unveil a new initiative, which will be called **Pradhan Mantri Grameen Jal Samvardhan Yojana**.

We shall soon start three important programmes;

- One lakh hand-pumps will be installed in water-scarce areas;
- One lakh primary schools in rural areas will be provided with drinking water facilities; and,
- One lakh traditional sources of drinking water will be revived.

With your trust, affection, and support, I am in front of you for the fifth consecutive year on the ramparts of Red Fort.

There is stability in the country today. People want the experiment of coalition governance to succeed.

Democracy has become stronger. Its roots have reached every village and town. After Independence, thirteen elections to the Lok Sabha have taken place. Governments have been formed and changed, but always without any bloodshed and violence.

My Government is committed to carrying out electoral reforms. It is our firm resolve to keep criminal elements away from power.

Today, India stands proudly on the world stage — tall, self-reliant, and full of self-confidence. Our prestige is on the rise internationally.

It is necessary that we do not overlook our achievements. Undoubtedly, our progress in certain areas has been tardy. We have to honestly introspect on this. For, we have the potential to achieve much more than what we have achieved so far.

Sometimes, we tend to talk about our shortcomings much more than is necessary. This gives rise to disappointment. The Nation's energy dissipates.

On the other hand, the feeling of national pride inspires us to work to achieve more.

We are proud of our kisans. Until a few years ago, we had to import foodgrains from abroad.

Last year, we exported foodgrains worth Rs. 6,400 crore.

We are proud of our scientists and engineers. They successfully launched into space not only Indian satellites, but also satellites of other countries.

We are proud of our entrepreneurs in the computer industry. Could anyone have even imagined that one day, India would earn Rs. 40,000 crore in computer software exports? But it has happened.

Behind these achievements, is the talent, the hard work, and the determination of us Indians. The credit for this goes especially to the youth of our country. Come, let us congratulate our younger generation for this.

We have a multi-party system. The race for power is natural in this system. However, this race has to remain within the limits of the "Nation First" principle.

We will have to draw a *Lakshman Rekha* in our political conduct. This must never be crossed for temporary gains.

Today, there is consensus among political parties on issues of national security. Then, why can't we create a similar consensus on certain pressing issues of social and economic development?

We can create this consensus. We must create this consensus.

Take for example, the problems in the power sector. The scarcity of electricity has assumed crisis proportions in many States.

I appeal to all political parties to arrive at a consensus on the minimum agenda for power sector reforms.

However, it is not enough to change the **mindset of political parties**. It is also necessary to bring about a change in the **mindset of the people**.

Just think of the extensive theft of power, and of the Rs. 25,000 crore that is lost through it every year. How can this be tolerated?

Today, kisans want quality power; they are willing to pay more if the power supply is uninterrupted. But there should be no

interruptions and cuts and no impediments in its transmission to the desired destinations.

The economic reforms that have been implemented in the past few years are in front of you. An **economy of scarcity** has been transformed into an **economy of surplus**.

- Today, there are no crowds in front of ration shops.
- There are no lines for gas and telephone connections
- The queues for kerosene have become shorter.

Prices of vegetables may have risen in rainy season, but we have strived to keep onion prices in check!

Telecom and Internet services are available to more and more people. Their rates too are continuously falling.

Our chief objective of economic reforms has been to remove poverty speedily. We are moving rapidly in this direction. The living standards of the common man are rising. Today, a fan, a TV, a refrigerator, or a scooter can be seen even in poor localities.

My dream is to see that every family has in its own house. In the past four years, we have initiated the process of construction of nearly sixty lakh new houses. Of these, 35 lakh houses are in rural areas and eighty percent are for poor families.

I dream of an India in which both the Government and Society are sensitive. Our policies and programmes have been formulated with this end in mind.

Faster development of the infrastructure in our country is the need of the hour. We are fully determined to ensure that this happens.

A network of world-class highways is being laid across the country. The National Highways Development Project is being implemented rapidly. Rs. 55,000 crore will be spent on it. This is the biggest and most ambitious road project to be implemented in India after Sher Shah Suri's Grand Trunk Road.

Similarly, the Pradhan Mantri Gram Sadak Yojana, costing Rs. 60,000 crore, will link every village with an all-weather road in five years.

These two road projects are generating jobs for lakhs of people.

Our aim is to free India from the curse of poverty and unemployment. It is to make India a Developed Nation by 2020.

When this country of one billion people works with a common resolve, then no goal is impossible to achieve.

The Tenth Plan has set the target of eight percent yearly growth in GDP.

We are taking some important new measures for economic and social development. These will be announced separately today.

I appeal to you to display the same emotional unity on the issue of National Development as you always do on the issue of National Security.

Come, let us make Development a powerful People's Movement.

For this, it is necessary that everyone rises above casteism and communalism. We will have to leave behind all those things that divide us.

The horrific explosion of communal violence in Gujarat was one unfortunate example of this. There can be no place for such violence in a civilized society.

We must maintain peace, communal amity, national unity and integrity even in the most serious and provocative of circumstances.

It is the responsibility of the Government and Society alike to provide security and equal opportunities for the minorities.

Come, let us as a nation look ahead, look to the future.

Someone has rightly said:

***"Beeti Tahi Bisar De, Aage Ki Sudh Le"***

(Forget what happened in the past, look forward to the future.)

Rather than getting bogged down in the issues and disputes of the past, let us create a new future for ourselves. □

## Facing Challenges Through Collective Action

My dear kisan brothers,

You are the country's *annadata*.

With your hard work, you have not only made India self-sufficient in foodgrains, but have produced a big surplus. Scarcity of foodgrains has become a thing of the past now. Earlier, we used to import food. Now, we are an exporter.

Today, the Government's godowns have a stock of more than 60 million tonnes of foodgrains. We are augmenting the storage capacity.

I am well aware of the many problems that our farmers are grappling with. We have been constantly trying to mitigate them. It has been our endeavour to ensure that the kisan gets fair and remunerative price for his crops.

So far, more than one and a half crore farmers have been given Kisan Credit Cards.

Some people have been expressing apprehensions that cheap farm imports will flood Indian markets because of our commitments to the WTO. These have been proved false.

We are quite capable, depending on our needs, to impose or hike import duties and to check unfair imports. We have, in fact, done so in some cases.

It is true that a new scenario of world trade is emerging. This has presented many challenges to Indian agriculture and to the rest of our economy. We can — and we shall — face these challenges through collective and coordinated action.

I appeal to all our farmers, workers, managers, businessmen,

scientists and researchers to prepare our economy to face global competition more vigorously. For this, our agriculture and industries have to constantly improve their quality. They also have to significantly reduce their production costs.

This year marks the decade of India's New Economic Policy.

This policy has brought many gains to our economy. At the same time, however, several new problems have also cropped up.

It is true that certain recent developments have highlighted some of the weaknesses in our financial and capital markets. This has made people feel rather worried.

We have taken several steps to remove these weaknesses, and we shall take more steps in the future.

The functioning of the stockmarkets and financial institutions will be reformed to protect the interests of small investors.

Profits earned by hook or by crook cannot be the sole criterion for judging the success of a business. The success of liberalization requires the steady development of a new corporate ethic.

Some cases of corruption and scandals have surfaced in recent times. We cannot turn a blind eye to corruption, nor can we let corruption proliferate. A corrupt man must receive punishment for his deeds.

I reassure you that corrupt elements will not be able to escape the long arm of the law, irrespective of how high a chair they may occupy. Only yesterday, a new Bill — Lok Pal Bill has been introduced in the Lok Sabha. The Prime Minister has also been included in its ambit, if there are any corruption charges against him. Our Government will not discriminate in any way in this regard and will not hesitate, if need be, in putting to trial any person, however big or powerful he may be. We have already taken strong action in several cases.

As the same time, I wish to state that there is a need to refrain from giving baseless allegations the color of a scandal. I know that most people in our country believe in earning their livelihood by honest means.

This year marks a decade of New Economic Policy of India. There is no doubt that economic liberalization has benefited India. At the same time, this too is true that the fruits of liberalization

have not adequately reached the poor and people living in rural areas. Inequalities have increased.

Therefore, after serious introspection, my Government has decided to give a new pro-poor, pro-village, and pro-employment orientation to our economic policy.

We shall make necessary modifications in the policy to remove regional imbalances and social inequalities.

We are determined to ensure that the new economic policy becomes a promoter of social justice and that its benefits reach our brothers and sisters belonging to Dalit, Adivasi, backward, and most backward sections of our society.

We have unveiled several important schemes towards this end in the past three years. In the same direction, we now propose to take some new measures:-

- The Central Government will launch an ambitious new scheme of Rs. 10,000 crore to provide additional and guaranteed employment in rural areas. This centrally sponsored scheme will be called the **Sampoorna Grameen Rozgar Yojana**.

Under this scheme, those who take employment from panchayats to build durable rural assets will be paid wages in cash and in foodgrains. For this, 50 lakh tonnes of foodgrains worth Rs. 5,000 crore will be provided to State Governments every year. All the existing employment schemes of the Central Government will be merged into this mega-scheme. Nearly one hundred crore mandays of employment are expected to be generated through the **Sampoorna Grameen Rozgar Yojana**.

- Our economy shows a strange paradox. Nearly all the savings of our people are deposited in banks. The banks are unable to use these funds fully for developmental projects. On the other hand, the unorganized sector of the economy does not get adequate bank credit. This sector constitutes two-thirds of our economy. The loan repayment record of this sector is indeed better than that of big industries. We are considering some institutional measures to make resources available to the unorganized businesses and industries.

- Neither faster development, nor people's participation is possible without decentralization. Which is why, two important amendments to the Constitution were enacted nearly ten years ago to empower the Panchayati Raj Institutions. However, we have so far not been able to devolve the necessary powers to the Panchayati Raj Institutions to empower them financially and administratively in an adequate manner.

The Government will soon initiate a national debate to achieve this important objective, involving all the over thirty lakh elected representatives in Panchayati Raj institutions. We would like the Panchayats to fix their own priorities, prepare their own plans, and to implement them with the participation of the villagers. Towards this end, we shall devise new ways to enable Panchayati Raj Institutions and non-governmental organizations engaged in rural developmental activities to avail loans from banks and other financial institutions for specific development projects.

- All of us know that democracy and hunger cannot go together. We shall therefore launch a **National Nutrition Mission**. Under this, subsidized foodgrains will be made available to adolescent girls and expectant and nursing mothers, belonging to below-poverty-line families. Cheaper foodgrains could also be provided to such religious, social, and educational organizations if they so require, that are engaged in mass-feeding programmes for the poor.
- Friends, India is urbanizing rapidly. As a result, there is a growing shortage of affordable housing for the urban poor. The Government has, therefore, decided to launch **Ambedkar-Valmiki Malin Basti Awas Yojana**, to benefit especially those belonging to the scheduled castes, scheduled tribes, backward classes, and other weaker sections. The Ministry of Urban Development will give a yearly grant of Rs. 1,000 crore to this project. HUDCO, which will implement this scheme, will make available another Rs. 2,000 crore as a loan amount.

There is a shortage of three lakh housing units for the families of the jawans in our Armed Forces. At the present rate of housing construction, it will take thirty years for this shortage to end. We have decided to build these three lakh housing units in the next four years.

- I had mentioned, in my Address to the Nation on Independence Day last year, about the **Pradhan Mantri Gramin Sadak Yojana**. This is now being implemented in almost all the States. So far, the Centre has made Rs. 5,000 crore available for this project. This project would need Rs. 60,000 crore for completion. It is our aim to provide all-weather road connectivity to all villages and hamlets in the country, with a population of more than five hundred, by the end of the Tenth Five Year Plan in 2007.

**The National Highways Development Project** of Rs. 55,000 crore is one of the ambitious projects of independent India. We shall further intensify the work on this project. I am confident that these two major road connectivity programmes would create lakhs of new employment opportunities and also give our economy a big boost.

A lot of progress has taken place in this regard in the past two years. We shall further accelerate this work.

- Small and cottage industries are a big source of employment. The Khadi and Village Industries Commission (KVIC) alone provides employment to more than sixty lakh people under its various units. It has added six lakh new employment opportunities during the past three years. We shall take many new measures to strengthen the KVIC. We have also launched effective steps to popularize khadi and village industry products in foreign markets.
- Tourism is a big source of employment generation and foreign exchange earning. Indeed, it is the fastest growing industry in the world today.

To achieve this end, we shall unveil a progressive National Tourism Policy before the end of this year.

- Friends, our entire society, and especially poor people, are

fed up with the long delays and other deficiencies in our judicial system. The Government has set up over 1,700 Fast-Track Courts to reduce the mountain of long pending cases. We shall soon take necessary steps to repeal or amend all laws and rules, which hurt the interests of the poor. We shall also review all those procedures and practices, which unfortunately have tended to make the poor targets of harassment by agencies of the Government.

- The Government is committed to the goal of "Health For All." After the unprecedented success of the polio vaccination campaign, the Government has decided to soon start similar mass campaigns against leprosy, tuberculosis, malaria, HIV/AIDS, and other such diseases.

In recent years, there has been a great interest, both in India and abroad, in Ayurveda and other Indian systems of medicine. We are considering making available a low-cost kit containing certain traditional medicines and herbal products, which have proved their efficacy over centuries in treating many common ailments. I urge our kisans and pharmaceutical companies to seize this new opportunity created by the growing worldwide attraction for Ayurvedic products and Indian systems of medicine.

- We are observing this year as **Women's Empowerment Year**. Therefore, we shall impart greater momentum to the implementation of all the programmes aimed at the welfare of our mothers, sisters, and girls. I especially wish to congratulate the Self Help Groups started by women, which have begun a silent socio-economic revolution. There are many success stories in India, and also in the South Asian region, where **Self Help Groups** using microcredit from banks have made a significant dent in rural and urban poverty. Therefore, the Government has decided to facilitate the setting up of at least one self-help group in each of the 14 lakh habitations in the country, by the end of 2004. We have taken yet another major decision for women's economic empowerment. Over the next three years, all public-

sector banks will lend five percent of the net bank credit to women entrepreneurs. This will make Rs. 17,000 crore of bank credit available for women sponsored businesses. □

## Towards All-round Development of the North-East

...Today Nagaland is a proud and honoured member of the larger Indian Family. This Indian Family may comprise of big States and small, but all are equal. Some States may have a large population and some far less. But all enjoy the same status.

Indeed, our Constitution guarantees that smaller and disadvantaged States get more assistance than others. My Government is especially sensitive to the needs of all Special Category States, including Nagaland. For examples, your Chief Minister came to me sometime back seeking assistance from the Centre to overcome the State's financial crisis. We responded positively. We converted an earlier loan of Rs. 365 crore into a grant.

Our vision is to ensure that no State, no region and no social group in India remains weak and disadvantaged. We are especially keen that our North-Eastern region achieves speedy and all-round development.

Our goal is to remove poverty, unemployment, social disparities and regional imbalances. Our goal is to remove the distance between the more developed and the less developed. In Hindi, I keep saying,

*Hum doori ko door karana chahate hain.*

*Hum dil ki doori ko bhi door karana chahate hain*

We want to remove the distance between people, created by geography. That is why, we are improving the air and rail connectivity between the North-East and the rest of India. That is why, we have ushered in a telecom and IT revolution in India, and made it possible and affordable for Indians anywhere to be

---

Excerpts from the speech at the Civic Reception in his honour, Kohima, 28 October 2003

connected with each other and with the rest of the world.

Today, India's mobile market is the fastest growing in the world. And we said, why should Nagaland be deprived of the fruits of this mobile phone revolution? I am happy that we inaugurated BSNL's mobile phone service in Nagaland yesterday.

Just as we are removing the distance between people through telecom connectivity, we are also minimizing the distance between places through good road connectivity. For the first time since Independence, we are building a world-class four-lane highway network connecting the North and South of India, and the West, East and North-East of India. We are spending Rs. 54,000 crore on this National Highway Development Project.

Once again, we are not keeping Nagaland out of this ambitious project. Earlier, this highway network was planned to come up to Silchar. Today I am happy to announce that Kohima will also be connected to this project with a four-lane highway. The Centre will spend Rs. 400 crore on widening this road on National Highway 39. And the work will start next year.

Now, the Government of Nagaland has approached us with proposals to construct some important roads within the State. The Centre will provide Rs. 50 crore for this purpose. However, I have one condition. The roads must be of good quality — much better than the existing roads.

As you know, we have also launched a massive project to connect all the villages in India with good, all-weather roads. We are spending Rs. 60,000 crore on Pradhan Mantri Gram Sadak Yojana, which is the biggest rural infrastructure development since Independence. I would like Nagaland to take full advantage of this project.

All these projects are creating lakhs of new employment opportunities. They are giving a boost to our agriculture, industry and a host of new services. I would like Nagaland to fully benefit from these projects.

Farmers are the backbone of Indian society. I want to congratulate the farmers of Nagaland for the innovations they have introduced in their traditional jhum cultivation. These innovations need to be further developed and promoted.

Similarly, your State, as also all other States in the North-East, have a big potential in horticulture and floriculture development. I was very recently in Thailand and was wonderstruck by the beauty and variety of orchids they grow. The flowers and fruits from Thailand — and even countries as far away as Australia and New Zealand — can now be found in the markets of Delhi. Therefore, can we not develop this potential in Nagaland? We can. And we will.

Friends, the Centre will lend full support to the speedy and all-round development of Nagaland and the entire North-Eastern region. However, we also need the support of the people, political parties, social organisations and Governments in this region.

The deepest desire of the people of this region is for peace. Peace is also a precondition for the development of the North-East. Without peace, there can be no investment and no development. Without development, there can be no employment.

I, therefore, appeal to the misguided organisations in this region, which have taken to the path of extremism and violence, to shun that path. The Centre is willing to have talks with all those who are ready to give up the gun culture, and take to the culture of dialogue and democracy.

There is no issue, which cannot be resolved through sufficiently long and patient dialogue. Our experience in Nagaland is showing this.

The need for peace has another side to it in the North-East. Even issues between tribes and organizations should be resolved peacefully through dialogue. Violent rivalries can have no place in our vision of a progressive, peaceful and prosperous Nagaland, in which every tribe benefits and no one is left behind.

My second appeal is to all those who are a part of the Government and administration at different levels, the under-development of the North Eastern region is not on account of shortage of funds. However, funds must be used judiciously. Corruption is an enemy of development.

There should be proper accountability — both at the political and bureaucratic levels. Projects should be completed on time. Otherwise, we end up spending several times more than the

originally planned amount. We also lose valuable time. Take the case of this stadium itself, which I am inaugurating. This is your State. You should take responsibility for its development. No citizen or businessman in the State should feel unsafe and intimidated. The rule of law should be respected.

Development of the North-East sometimes suffers from another drawback. Often, Government departments and agencies draw up plans and implement programmes without adequate participation of the people. Schemes are formulated in a uniform manner for everybody without taking into account their relevance to local needs and conditions. . .



# Banishing Poverty for Sustainable Development

... Every Indian—whether living in India or abroad—has always believed that India is a great nation and has wondered why the world has not acknowledged this obvious truth. Perhaps we have tended to judge ourselves by our potential, whereas others judge us by our performance.

However, this gap between our potential and our performance is now getting bridged. India is changing, and changing very rapidly. The imprint of this change is becoming bolder and more attention-catching by the day.

The world acknowledges our prowess in IT and in other sectors of the knowledge-based economy. Our growing markets and our rapidly expanding economy compel global recognition. Indian businesses have learnt from the globalization and the technology revolution the imperative of becoming globally competitive. Today “Made in India” or “Sourced from India” labels are becoming a matter of national pride.

It cannot be anybody’s claim that India’s achievements belong only to the recent past. As an Indian, I am as proud as anyone else of India’s achievements under previous governments. I have never looked at them with jaundiced eyes and never been sparing in giving credit where it was due.

However, few would deny that the progress we made in the past did not measure up either to India’s potential or to her manifest needs. As a result, enormous developmental challenges continue to confront our country. The greatest of these challenges is to banish poverty, which still grips nearly one-fourth of our

---

Excerpts from the Keynote address at the *India Today* Conclave, New Delhi, 12 March 2004

population. We have a long way to go, and an immense lot to accomplish.

But we have decided to traverse this long journey in a short time. We have started to speed up everything that is essential for making India a stronger and more prosperous nation, one capable of meeting any emergency that the future may throw up. Towards this end, we have begun to--

- Speed up our GDP growth;
- Speed up the reform of our economy and our institutions;
- Speed up the expansion and modernization of our infrastructure; and
- Speed up the expansion and improvement of our social infrastructure.

Raising productivity and profitability in agriculture is central to our strategy of making rural India prosperous and vibrant. The Green Revolution helped India achieve self-sufficiency in food production. Now the country needs a Second Green Revolution to create efficiency and capture value at every stage in the food chain linking the farmer to the consumer. We have initiated many efforts in this direction. Enlarging and intensifying them will be a priority for us in the coming years.

There is much talk these days about unemployment. I recognize that it is a major concern for the youth. However, I would like to stress two salient aspects of this problem. Firstly, unemployment is not a recent creation. Secondly, the nature of employment generation is changing with the changing nature of the economy.

Jobs in government and organized industry have shrunk not only in India but also all over the world. At the same time, new employment and self-employment opportunities have sprung up on a large scale in recent years. These are in housing, road construction and transportation, cottage industries, financial sector, tourism, services and enterprises in the informal sector, and IT.

Our strategy for the future will be three-pronged: promote productive employment in all sectors of the economy, especially in agriculture and rural enterprises; enhance employability of the employment-seeking people through suitable training and skill-

development; and further strengthen social security schemes for those in the unorganized sector...

...In the last few years, India has taken important measures to orient its economy to the demands of globalization. We have done so with deliberation and with sensitivity. Even at the risk of attracting the impatience of some, we have tried to ensure that our economic liberalization does not retard the objective of equitable development. We have warned the world of the dangers of headlong globalization seriously eroding political support for economic reform measures in developing countries.

Together with other developing countries, we emphasized this at Cancun. Decisions on agriculture affect the livelihood of billions of farmers in the developing world, which could not be sacrificed at the altar of globalization. We will continue to work with the developing and the developed world for win-win solutions to these issues. India is convinced that such solutions exist.

While talking about globalization, I should mention the strange controversies that have been generated on what is called Business Process Outsourcing. The very process of liberalization, on which we have been lectured for so many years, has created competitive skills, which are available for utilization by businesses everywhere. Outsourcing is a natural consequence of this process.

As economists around the world have been pointing out, outsourcing makes businesses more competitive, increases their exports and their profits, and places more investible surpluses in their hands, which can be deployed to create more jobs. The world has spent the last decade trying to make sensible economics prevail over the temptation for short-term political gains. We should not now drive a reverse process.

Today India stands at a unique point in her ascendant movement in history. I believe that there is a Law of Growth in the life of every nation. Understood and followed properly, it brings about national resurgence and takes the nation to strength, prosperity and greatness. The objective conditions, including the international situation, have never been more conducive for this law of growth to operate with full power in the case of India. Therefore, we must not let cynicism or negativism, despondency

or disunity, clog our veins and weaken our muscles.

India faces a big challenge today. We will always remain a democracy, of course. That is an abiding source of India's pride and strength. But the challenge is:

- Can our democracy create a common national purpose around the issue of development and deliver it on a scale that all of us dream of ?
- Can we remove regional and social disparities and bridge the urban-rural divide fast enough?
- Can we speedily enlarge the basket of opportunities to match the growing aspirations of our predominantly youthful population?

In short, can we make India a Developed Nation in a holistic way by 2020?

Within the lifespan of a single generation?

Yes, we can. We must.



# **WTO REGIME AND GLOBAL TRADE**

# WTO REGIONAL AND GLOBAL TRADE

# India's Economic Outlook and Perspectives

I am honoured to be here in the oldest institution of higher learning of the State of New York, as it enters its 250<sup>th</sup> year. I thank Professor Jeffrey Sachs for his invitation to me. When he wrote to me, I was particularly struck by his reference to the Global Development Dialogue, which I have been advocating for the last few years. The Earth Institute, which he heads, has done valuable work on issues of the greatest concern to developing countries. It is now pioneering a major programme of policy research on the Indian economy.

Much has been written and said about the Indian economy in recent years. We have seen positive appraisals of our progress, as well as impatience at the pace of our reforms. Investment Fund managers and credit rating agencies have shown a cyclical pattern of "thumbs up" or "thumbs down" to sectors of our economy over the last decade. Our reforms have often been compared with those of others, with both flattering and critical conclusions.

I would like to focus today on this theme of where the Indian economy is, and where we would like to take it in the foreseeable future.

Since our economic reforms were launched just over a decade ago, the Indian economy has sustained an annual average growth of over 6%. This average actually masks much faster progress in the west and south of India, where the growth in the nineties was comparable to that of the Southeast and East Asian Tigers in their prime. Even though last year was a drought year, GDP growth exceeded 4%. This year we expect to touch nearly 7%.

---

Speech at the Columbia University, New York, 24 September 2003

Our foreign exchange reserves are nearly US\$ 90 billion and fast moving towards the 100 billion mark. The current account deficit turned into a surplus over the last three years. This was achieved through non-debt creating flows, so that our external debt has remained virtually static in nominal term. The debt servicing and debt GDP ratios have fallen sharply. We are now repaying foreign debt ahead of schedule. This year alone we have prepaid about US\$3 billion.

From a food deficient country, India has moved to a self-sufficient one. During the current year, close to 7 billion dollars of agricultural produce was exported. India is the world's largest producer of milk and among the largest producers of sugar, eggs and fish.

Though impressive, these aggregate figures do not fully capture the quiet transformation that is taking place at the level of enterprises and individuals. Indian enterprises are reaching global scales in quality and output. Corporations from all over the world are coming to India for manufacturing of services.

India is becoming a production base and an export hub for diverse goods, from agricultural products to automobile components to high-end services. Indian firms are now part of global production chains - importing sub-assemblies, adding value to them and re-exporting them. Taking advantage of its pool of high-quality scientific talent, international corporations have established large R & D centres in India.

All these strengths have resulted in a greater integration with world trade and our trade has risen from 21 per cent to 33 per cent of our GDP in a decade.

Information technology is transforming rural lives. In a quiet revolution that has linked rural credit with modern technology, 30 million farmer credit cards have been issued in the past five years.

Our strong economic growth is succeeding in bringing people out of poverty. 60 million people emerged from the ranks of the poor in a six year period. We have still a long way to go before we can eradicate poverty in our country. However, it increasingly appears that the ingredients of rapid poverty eradication are falling into place.

From roads to telecommunication, we are seeing the beginning of a qualitative change and growth in infrastructure. In the last three or four months, India has been adding nearly 2 million mobile connections every month. The enormous successes of our IT professionals and the new successes of IT enabled services have been made possible by the fact that the data and voice carrying capacity in India today is 75 thousand times what it was just 4 years ago. We have launched an ambitious project for a highways network, which would link our major metropolitan centres and provide improved connectivity to our rural areas. These roads are already transforming our economy, as your freeways did to your economy many decades ago. Upgradation of facilities has sharply reduced the turn-around time in Indian ports.

We have taken many steps towards energy security. There have been 7 major finds in 4 areas in India. We have invested in oil fields abroad - in Sakhalin in Russia with an investment of \$ 2 billion; in Sudan with an investment of about \$ 1 billion; in Vietnam, Libya, Syria and other countries.

In the field of science, India is one of only three countries which have indigenously built super computers and one of the six countries in the world that builds and launches satellites. Two years ago, we launched a satellite into geo-stationary orbit. We plan to send a spacecraft to the moon in the next five years.

Today, India has the confidence that the basic fundamentals of the Indian economy are sounder than they have been for several decades. A young, better-educated, more confident, and increasingly impatient Indian population is driving India's progress and demanding from government the conditions to fulfil its aspirations.

The biggest challenge that our economy faces is our fiscal deficit. To remedy this, we have embarked on a transformation of the tax regime, improving the tax collection machinery and introducing a simple and rational tax code. We are moving towards implementation of a Value Added Tax. We are working towards more accurately targeted subsidies and full recovery of user charges for infrastructure. To underline our commitment to this endeavour, we recently passed fiscal responsibility legislation, whereby we are required to bring down our revenue deficit to zero within the

CC-0. Nanaji Deshmukh Library, BJP, Jammu. Digitized by eGangotri

next five years. This is a daunting task, but we are hopeful of achieving it.

I have dwelt on India's economic achievements in some detail because many of these do not capture news headlines. These achievements also show that there is no weakening in India's resolve to continue with the reform process. Expanding the role of market forces is an imperative of globalization and will remain the central theme of our reforms.

Of course, there has been a keen debate in our country on the pace and sequence of reforms. This is both inevitable and desirable. Our effort has consistently been to cushion the impact of reforms on the poorer sections of our society. We have tried to reconcile competing interests and to avoid sudden disruptions in our economy. We believe that reforms following a democratic consensus are enduring, as all constituencies are carried along with us.

It is also my conviction that the new experience of successful coalition governments in India has been ideal for democratic governance, balancing divergent views and accommodating regional and sectoral interests more effectively. India is a rare multi-cultural, multi-religious, multi-ethnic and multi-lingual democracy in the world. We have an open and vibrant press, free and fair elections and an independent judiciary. This imparts stability and consistency to economic policy-making.

Where will the Indian economy go in the future? Looking at opportunities and challenges, I see an ever-brightening horizon.

Our software industry has been growing from strength to strength. The competitive edge of our IT industry will be enhanced by value-addition in software and by our rapid advances in our hardware industry. The balance between volumes and value will add strength to the IT industry.

Opportunities are also multi-fold in biotechnology. Research & Development has opened a wide avenue of growth in health support systems. Clinical research is breaching new frontiers in medicine. Advances in biogenetics reach out into agriculture and food-processing chains, which will provide livelihood security for

The architecture of our financial institutions is now comparable to the best in the world. The securities markets are a major success story. On-screen trading has brought security and speed to share market transactions. Other products like interest rate derivatives, equity and commodities futures provide a range of trade opportunities, not available in many countries. Since India is well positioned in the time zone between New York and Tokyo, I see India emerging as a centre of financial transaction and intermediation. We are developing strategies and strengthening structures to enable this. The sound regulatory framework and availability of skilled manpower make this goal achievable.

I have already mentioned that Indian industry is today globally competitive. We will expand the areas of its manufacturing excellence and widen their reach.

Finally, it is my dream that the capabilities of knowledge that India possesses should be converted into products of universal use. To secure positions of excellence through a service-oriented economy and to provide products and solutions for human need would be the growth vision for India.

While documenting India's economic achievements and articulating its goals and aspirations, I am conscious that we do not function in a vacuum. As a developing country India is profoundly affected by trends in international trading and investment regimes, developments in the agenda of globalisation and realisation of the goals of sustainable development.

We were therefore deeply disappointed by the lack of positive outcome on the Doha development agenda at Cancun recently. India has over half a billion people dependent on agriculture for their food security, livelihood security and rural development. Along with other developing countries, we had hoped that the distortions caused by domestic support and export subsidy in developed countries could be corrected. The developing countries are also severely affected by the asymmetries and imbalances of the Uruguay Round which have not been addressed. The headlong march towards market access by the industrialised countries denies the necessary policy space for developing countries seeking to

CC-0. Nanaji Deshmukh Library, BJP, Jammu. Digitized by eGangotri

industrialise. At the same time, the developing countries have been denied free access for their trained manpower to the developed economies.

The uneven spread of the benefits of globalisation continues to accentuate disparities. The resources for development available to developing countries remain far short of the needs. The Convention on Biodiversity has failed to transfer technologies to developing countries in return for their biodiversity resources.

As the Indian economy motors on towards further growth and versatility, India will also work along with developing countries to remedy the inequities of the international economic system. We firmly believe that in the inter-dependent world of today, it is no longer possible to sustain islands of development surrounded by underdevelopment and deprivation. The world needs to recognize this and take corresponding measures. □

## NAM : Addressing the Challenge of Globalisation

I thank the Asian Strategic and Leadership Institute and associate organisations for inviting me to this Forum. This is a welcome initiative. It enables business and industry from our countries to interact with political and economic decision-makers. I am especially pleased to be in the company of the Honourable Presidents of Indonesia and South Africa and the Prime Minister of Thailand at this event.

Many people question the relevance of NAM in the changed global context. I think the best answer to such scepticism is contained in the theme of this Business Forum - namely, Remaking NAM by Enhancing Cooperation and Building Bridges.

It is true that NAM's political agenda has changed with the end of the Cold War. Its campaigns for de-colonisation, disarmament and anti-apartheid achieved great success. By the very nature of things, they consumed most of its energies in the first three decades of its existence.

However, NAM's developmental agenda has lost none of its relevance. South-South Cooperation and North-South engagement were permanent elements in NAM's discourse. They made limited progress under the shadow of the Cold War. Sadly, the progress on these imperatives has not been very rapid even after the end of the Cold War.

Meanwhile, globalisation, which has arrived as the defining trend in contemporary world affairs, has provided a new context for redefining NAM. For all the developing countries, globalisation has meant new challenges, as well as fresh opportunities. It has

also thrown up issues that determine stability and security in the world in the 21<sup>st</sup> century. Thus, our unrealized goals of development and our shared vision for a peaceful tomorrow should unite us in NAM even more cohesively in the era of globalisation that the political goals of the Cold War era.

The numbers that prove this point are numbing : Ten million people have been annually joining the ranks of the poor in the last decade. A quarter of the world's population lives below the poverty line. Over a billion people are under-nourished. Over a billion people survive on less than 1 dollar a day. Malaria, tuberculosis and HIV/AIDS are mainly diseases of the poor, who cannot afford medical treatment for them.

In our Millennium Declaration of 2000, we set ourselves the goal of poverty eradication by 2015. At the World Food Summit, we pledged to halve hunger by 2015. If we are to achieve these goals, South-South Cooperation and North-South Engagement have to be more than mere slogans. They have to be invested with sound understanding and a strong will for action. And that action has to be mainly in the area of economic coöperation and business interaction.

The end of the Cold War also meant the end of statist models of economic growth. It enabled many NAM countries to devise their own road to economic reforms, based on the virtues of private enterprise and competition, with the State playing a promotive and facilitatory role. Success stories along this journey abound. One of them has been scripted right here in Malaysia, under the leadership of Prime Minister Mahathir.

Yes, globalisation has created an objective basis for mutually beneficial relationship among reforming economies. However, we cannot be blind to the fact that it has not rewarded most developing countries with growth and development. 116 Non-Aligned countries, representing two-thirds of the world's population, still contribute barely 20% to the global GDP. Their economic growth was slower in the 90's than in the 70's. In most developing countries, per capita incomes have been falling, unemployment is rising and income disparities are widening.

This is happening because the systems and processes of the global economy, dominated by developed countries, are not sensitive to the needs of the developing countries. Volatile capital flows have sparked off economic crises successively in Mexico, South East Asia, Brazil and Argentina. There has been a glaring asymmetry in the distribution of gains from trade liberalisation as developed countries find newer ways to protect their markets. Transfers of capital resources to Least Developed Countries have fallen sharply. Sustained negative net capital transfers are leading these countries into a debt trap.

The re-making of NAM, therefore, lies in articulating a strong developmental agenda. At the core of this agenda should be our demand for a reform and reorientation of globalisation.

We should press harder for reform of the international financial architecture. Volatility of capital flows must be checked. Resource flows to poor countries should be accelerated - through affirmative action in certain cases, as in Africa. International institutional conditionalities that have frequently slowed economic recovery, rather than speeding it up, should be reviewed.

An allied issue is the development of an objective mechanism for sovereign risk ratings of developing countries. We need a more participatory evaluation system, based on cooperative engagement between lending and borrowing countries through international public institutions.

There are similarly trade issues of crucial interest to NAM member-states. Our sheer numbers suggest that we can influence decisions at the WTO to promote our collective interests. For example, we can harmonise our positions and pool our resources to -

- frustrate efforts to block technology to treat diseases and epidemics that afflict millions;
- prevent unilateral action that denies market access;
- fight against those provisions of TRIPS and other WTO Agreements which impede our developmental efforts;
- reject unacceptable trade linkages; and
- monitor implementation of WTO commitments by developed countries and seek redressal for non-implementation.

Naturally, in a large and diverse community such as ours, there are bound to be differences. We have to recognize, however, that our differences have often been exaggerated to our disadvantage. It is a tactic, familiar from our colonial days, of dividing us on peripheral issues, so that we remain apart on the central ones. We sometimes forego our long-term interests by settling for short-term gains.

On all crucial developmental issues, almost all of us have an identity of views. However, this has not been translated into unity at the negotiating table.

Even where our interests do not coincide precisely, we can build broad coalitions. We showed this at the Doha consensus, which correctly put the needs of the poor above the commercial interests of a few multinational companies.

The challenge before us is: How do we remake NAM through business and economic interaction? I would like to offer a few suggestions.

Strengthening regional cooperation offers time-tested framework for rapid and mutually beneficial growth. ASEAN has shown this with striking results. This can, and needs to, be replicated in other regions. However, this requires one condition to be adhered to. Economic cooperation has to be depoliticised and made immune to bilateral issues.

In our scramble for the increasingly saturated markets of the advanced countries, we ignore the growth possibilities from South-South trade and investment linkages. There are countries that are leaders in certain sectors, and at the same time there are NAM countries where those very sectors are underdeveloped. Today, Malaysian firms are building highways in India and Indian companies are building railway projects in Malaysia. Such linkages can be multiplied literally a hundred fold in the areas of energy security, food security, infrastructure development, enrichment of human and institutional resources, tourism, entertainment and media.

For this, we need to devise effective channels of business and developmental interaction with each other. Today, sadly, we do not even exchange information and data of great mutual interest.

It is a shame that valuable developmental experiences from Bangladesh's micro-credit institutions or Tanzania's malaria-controlling bednets should remain confined to a few regions. Meanwhile, other developing countries are either busy reinventing the wheel or importing inappropriate technologies or services from advanced countries for the same applications.

In the jargon of today, most of us are fully wired. Yet we do not seem to be connected with each other. Our researchers, businessmen and bankers are routinely sending data, contracts and money in real time across thousands of miles to USA and Europe at the click of a mouse. But we do not exchange information with countries around us on the more basic realities.

The most crying need, therefore, is for an information exchange system. I am told that Indian business and industry have made a beginning in this direction by launching a NAM Business Portal during this Summit. I believe this is a valuable initiative, but it can prosper only if it can pick up participation from NAM countries around the world.

Exchanges through the Internet are cheap, effective and comprehensive. We can better network our chambers of business and industry, and think-tanks on international economic issues, to exchange perspective on the world trading system and even synchronize our negotiation positions on important issues.

For years, NAM has been arguing the merits and demerits of a permanent NAM Secretariat, with competing claims for its location and disagreements on the scope of its activities. With one website on the Internet - or a network of such websites - we can virtually perform many functions of a NAM Secretariat, located in cyber space and accessible to all.

I believe there is another initiative, which NAM can spearhead for the reform of the international financial architecture. We know that unstable capital flows can severely disrupt developing economies. There is less ready acceptance of the idea that such flows should be regulated by an international levy. I believe this is a reform whose time has come. It combines in one effective measure an instrument to protect weak economies from the volatility of capital, to enhance investor confidence through stability of

capital markets, and to generate valuable developmental resources.

Conservative estimates of capital flows in recent years indicate that even a token tax of a quarter percent could generate annual revenues of the order of \$300 billion. If this were to form the corpus of a Global Poverty Alleviation Fund, we can make dramatic progress towards the objectives, which we outlined at the Millennium Development Summit and the World Food Summit.

It has been argued that it would be difficult to accurately monitor financial flows and hence to operate this tax regime. The counter of this argument is that U.N. Security Resolutions 1373 and 1456 ask countries to take the most stringent measures to monitor terrorist financing channels across the globe. Such measures, to which all countries are committed by chapter VII of the UN Charter, would be of far greater magnitude than those required for monitoring and taxing capital flows.

The striking conclusion from the journey of NAM is that ours is a story of huge missed opportunities. The one positive lesson, however, is that now we know how not to miss the opportunity in the future.

Sometimes, people ask: Now that the Cold War is over, where is the Peace Dividend for NAM countries? I believe that the dividend lies in making development the main new business of NAM. We know that good business always yields a handsome dividend. There is every reason to believe that NAM's new agenda, based on a partnership between government and industry within and among member nations, as also with countries of the developed world, would yield faster economic growth, all-round development and a better quality of life for all. That is the long-term peace dividend all of us should strive for. □

# Creating a Dynamic India-EU Economic Partnership

I am happy that there is now an established tradition of annual India-EU (European Union) Business Summits. The Summit provides a unique opportunity for interaction between Government and Industry on both sides. It is a forum for free and frank exchanges of views on the issues, problems and opportunities in the India-EU economic relationship. I understand there have been some valuable bilateral initiatives by Indian and EU business to address impediments to India-EU economic cooperation in priority sectors.

I do not need to emphasise the importance that India attaches to trade and economic cooperation with the European Union. It is our largest investment partner, an important source of technology in critical sectors and a major destination for our service providers.

There is of course a strong asymmetry, since India's share in EU's global trade is under two per cent. This is a mismatch, which could be corrected by a wider consciousness of the possibilities and a better understanding of the larger picture of the India-EU partnership. The realisation has still to take hold that, with its rapidly growing economy, skilled human resources, expanding market and widening industrial and technological base, India can be a strong economic partner of the European Union.

The post Cold War global scenario has created a conducive atmosphere for a stronger partnership. We do not have any fundamental political disagreements, which could impede the dy-

namic growth of our economic cooperation. On the other hand, there is much that unites us, and a firm basis to construct a strong edifice of a long term, reinforcing economic relationship.

India and Europe are alike in many ways. Most important, both are well-functioning, committed and firmly-rooted democracies. Europe is a mosaic of sovereign States, which — despite past differences and conflicts — sees its long-term future as a more unified entity. India is also a continent-sized country, which illustrates a unique unity in diversity, with its States playing an increasing economic role in our interaction with the rest of the world.

Today's Europe is creating new waves in world affairs. The increasing weight and voice of the EU, its steady expansion and consolidation, its strengthening common currency, its new initiatives to integrate its scientific and technological capabilities — all these trends compel attention and analysis. In the post-Cold War era, India too has emerged stronger and more self-confident, with the conviction that we can have an expanding role in world affairs in the coming decades. The question we need to ask ourselves is whether India and Europe can create a more dynamic partnership, mutually reinforcing our aspirations.

New perspective need to wipe away the cobwebs of old approaches. Though India is still very much a developing country, we have put behind us the phase when developmental assistance was at the core of our transactions with the developed world. We are ready for a transition to more mature partnerships.

The India-EU interaction in trade requires some introspection and analysis, if we are to double the somewhat modest present level of 25 billion Euros in the next 5 years. Business and Industry on both sides have made some recommendations. We need to look carefully at the unfortunate reality that non-tariff barriers are gradually rising, even as tariffs are falling in response to globalisation. A range of issues from anti-dumping measures to manufacturing standards need to be looked at with a sense of proportion. In India, we have been careful to ensure that our liberalisation measures are non-directional. We do not increase tariffs or raise barriers to target any region or group of countries.

In this context, one needs to view in perspective the recent debates, in Europe and elsewhere, on the impact of business process outsourcing. The emotive arguments about the migration of jobs to countries like India have missed two basic points.

The first is that this outsourcing is increasing the competitiveness and global reach of European and American companies. The resultant boost to the balance sheets and increased dividend payouts are very much in these countries. The increased profits are also ploughed back into these economies.

The second point relates to the barriers to free movement of persons. The demographic profile to Europe and America necessarily means that these countries will need the induction of a younger work force from outside in the coming decades. If there is a more liberal regime of free movement of businessmen and professionals between India and Europe, this demand can be met within your countries. In the absence of such a liberal regime, outsourcing is inevitable. If people cannot go to where the business is, business will eventually come to where the people are.

Technology is an area, which should figure much more in the India-Europe discourse. Indian expertise in areas of information software technology is now reasonably well known. We hope to replicate our software revolution in biotechnology and other areas. This will be driven by our reservoir of millions of scientists, engineers, technicians and managers produced by our Institutes of Technology and Management. In fact our IIT's and IIM's have today become branded products, with international recognition and global demand. Yet, it is a remarkable statistic that though nearly 200 of the Fortune-500 companies extensively use India as a Research and Development base, very few of these are from Europe.

One of the technology areas with outstanding prospects for close India-Europe collaboration is the Galileo Statellite Navigation Project that Europe is embarking on. In this multi-billion Euro project, exploring new frontiers of technology, India's expertise in cost-effective space technologies can bring both technical value and price-competitiveness. We, therefore, seek to participate, not as a mere customer, but as an equal partner.

We welcome investments from the European Union to India. We believe that our infrastructure sector should be a particular area of interest to EU business. Our National-Highway Development project, to upgrade or build over 15,000 kilometres of roads linking our major metropolitan centres and rural regions is already well under way. We are soon launching a major new initiative — “Sagarmala” — which aims to build and upgrade a necklace of modern ports, supporting international and coastal shipping all along our peninsular coastline. This 25 billion dollar project should present attractive opportunities for European business. Our dialogues on investment flows should now take into account the fact that Indian industry is also looking at investment destinations outside India.

In consideration of the larger picture in India-Europe relations, I would like to make a point about the direction in which the WTO is heading. I think we should draw the right conclusions from the outcome of the Cancun Ministerial Meeting. We have to recognise that unless the developmental concerns of the poorer countries of the world are taken into account, popular support for economic liberalization will collapse in the developing countries. This could have disastrous consequences for our future discussions on the international trading regime.

The WTO is like a chariot pulled by many horses. Unless each horse pulls at the same pace and in the same direction as the others, the chariot will eventually collapse. It is important not to upset the carefully balanced agenda of interests that resulted from hard fought negotiations and compromises at Doha. We can move forward successfully only at a pace with which all parties are comfortable. This has been the cardinal principle that has guided the EU in its integration. It is a principle that we in India follow in the coalition that I lead, and in the measured pace of our economic reforms. This logic that we have brought into our internal processes also needs to be applied to our external environment. To take one fundamental example, agriculture provides the core livelihood of millions of people from a huge number of developing countries. The decisions we take in the WTO on ag-

riculture will need to respond to this basic fact, even while they protect the interests of farmers elsewhere.

India and Europe have to bring the consciousness of this larger picture into their mutual interaction and in their engagement with the rest of the world. With the intimate interlinkage of politics and economics in today's globalised world, business and industry share the responsibility with us politicians for propagating a cooperative culture, which reconciles the profit motive with the developmental imperative. In the long run, this is the formula for the most durable economic partnership. □

## USA-India—New Trade Initiatives

We have watched with admiration the longest period of economic boom in the United States. We have carefully assessed its impact on the global economy, including on our economy.

We are reinforced in our conviction that there is a natural synergy between our two societies in many spheres. This also includes the economic sphere.

What unites us is not only our common commitment to democracy, liberty, openness and pluralism. It is also a perspective on economic growth. A perspective in which private enterprise is given maximum encouragement by the State that limits its own role to that of a facilitator and impartial regulator.

For historical reasons, private enterprise in India was not assigned the desired role in the initial decades after Independence. Since the nineties, we are correcting this situation by a comprehensive set of economic reforms.

My own Government is committed to further broaden, deepen and accelerate the process of reforms. We are convinced that this will unleash the full potential of economic growth and social development in India.

I am happy to note that the US Government and US enterprises have responded positively to the historic change being effected in the Indian economy.

The United States is today India's largest trading partner. The US companies are also the largest investors in India.

Most major US corporations, banks and financial institutions are present in India. We value their contribution to our economic growth.

Equally, I am sure, they value their business in India and the

contribution that our expanding economy is making to their business profitability. We would like to deepen this relationship.

In the last ten years total approval for US investments to India is a mere 15 billion dollars. Actual flows are even smaller.

In the context of the new opportunities, we must dramatically alter this arithmetic. Let us accept a target of a 5 billion dollars of annual flow beginning next year and raise it to 15 billion dollars over the next three years.

This is ambitious. It is, however, achievable.

Let us also agree to at least double bilateral trade flows over the next three years. There is enough scope for that.

I realise that apart from motivating you, we also need to change. I am not unmindful that you often find our rules, regulations and procedures burdensome.

There is an image problem often described as "hassles of doing business in India". This is partly a communication problem.

The success stories do not circulate fast enough. One failure proves infectious.

Many approved projects are languishing. Assistance in project implementation is one area that needs to be strengthened.

I am, therefore, creating a Strategic Management Group in the Prime Minister's Office where difficulties encountered by large investment projects will be speedily resolved. An Inter-Ministerial Team would assist this Cell. The Group would directly report to me once a month.

Many of the project problems concern State Governments. I would be urging the Chief Ministers to take a similar initiative. I am sure that this will impart some momentum and seriousness to address "implementation concerns".

Distinguished American businessmen, when you look at India, I urge you not to be overly influenced by the size of the present bilateral economic engagement between our two countries.

Rather, take a long-term view by looking at the magnitude of the opportunities and rewards as they will unfold in the future.

The interests of India and the United States are complementary. Let us harness this complementarity to the fullest.

India today is among the fastest growing economies of the

world. Our annual growth of over six per cent in the nineties makes us among the top ten fast growing economies in the world.

On our Independence Day this year, I have pledged my Government to a new target: The target of doubling our per capita income over the next decade.

This implies an annual GDP growth of nine per cent and more. This is a daunting target, but a target that India will achieve.

The reform process in India is on an irreversible course. Discussions and differences within the party and across parties are natural in a democratic policy.

Open public discussion fortifies national consensus. It mobilises social support and protects reforms from uncertainties of political change.

We also want to alter the focal points of change. As a result of our efforts, reforms are being perceived less and less as being "elitist driven".

We are taking concrete measures to cushion the impact of change on the weaker sections of the society. The trickle down effect of growth is often slow. Which is why, we are consciously trying to harmonise faster economic growth with equitable development.

We are determined to ensure that the benefits of reforms do not bypass the common man.

We have strengthened the focus on agriculture and rural development. Areas like rural connectivity, safe drinking water, shelter and sanitation are being given higher priority.

We are paying far greater attention to the development of the social sector — especially primary health and primary education. We know that this is critical for the enrichment of India's vast human capital. This is also the most important resource in the emerging era of the Knowledge Economy.

As a result of our initiatives, the constituency for reform is rapidly enlarging.

My Government has created many new opportunities for private investment. Let me illustrate this:

A. There has been a massive deregulation to create investment opportunities in infrastructure.

B. We now have a world class Information Technology Policy. The IT and other knowledge-based enterprises offer the greatest opportunity for mutually beneficial partnership between Indian and American businesses. We have already seen many successes of this partnership. But this is just the beginning. The future is going to be immensely more attractive and fruitful.

C. India now has the professional manpower to truly maximize the benefit from the "New Economy". We are doubling the number of professionals from our educational institutions in one year and tripling them in three years.

We shall encourage collaboration between Indian and American educational institutions for just research and training. Further, private, NRI and foreign investment in education — especially in technical and higher education — will be promoted.

D. In the telecom sector there is total deregulation—

- On national long distance;
- On freedom to choose from own under-sea optical fibre.
- On basic telephony:

VSNL's monopoly on international long-distance telephony is being removed.

The Department of Telecommunications is being corporatised by 1<sup>st</sup> October.

A Telecom Convergence Bill is in the offing.

E. We are also considering how best to deregulate cellular telephony completely.

F. We are building thirteen thousand kilometres of new National Highway in seven years.

G. Ports are being corporatised and private participation in port building welcome.

H. There have been complaints about power projects in the past. We want to undo this. Power requires huge investment in India to meet our energy needs.

The de-politicisation of tariff fixation and its acceptance by many State Governments create new opportunities. I expect several important commercial agreements to be signed even during my visit.

Several large power projects languishing for years should

see financial closure over the next four to six months.

A new Electricity Bill 2000, which significantly deregulates the power sector, is on the anvil. It will enable much greater consumer freedom. It will also enable private sector to take decisions on generations, transmission and distribution by unbundling them.

The regime for Direct Foreign Investment has now been made automatic. Sectoral caps are under constant review by a Group of Ministers. I expect further relaxations in many areas shortly

- I. Financial sector reforms are an area of high priority. Our financial institutions have adopted prudential norms consistent with international norms. Banking supervision follows the Basel guidelines. The disinvestment of Government equity in banks will be accelerated. This will further improve their competitive efficiency.
- J. Disinvestment in general is receiving our close attention. We now have a credible disinvestment programme. During the course of this year there will be a significant disinvestment of some major companies covering the sectors of oil, telecom, airlines and hotels.

The resources realised would be mainly utilised to retire debt on meet social sector obligations. The Cabinet Committee on Disinvestment under my Chairmanship has been activated to achieve tangible results with definite milestones.

In sharing my thoughts on many of these issues I do not want to gloss over difficulties. Serious problems do exist in many areas, particularly long-term fiscal management.

While our tax rates are internationally competitive, tax administration needs significant improvement. Tax reforms also require urgent attention and the Double Taxation Treaty needs to be revisited.

Government expenditure needs to be pruned. Sustained action in this area is planned on the basis of the recommendations of the Expenditure Commission. The Fiscal Responsibility Act before Parliament would reinforce these measures.

State finances also need attention. The Finance Commission

has made some important recommendations and it is my intention to pursue them with seriousness.

In short, there are enormous opportunities. There are, no doubt, problems and risks of investment. I, however, venture to suggest that the opportunities far outweigh the risks.

The opportunities and a conducive environment will grow. The problems and risks will ease.

The extraordinary achievement of Indian Americans in this country is sufficient testimony to the human resource of skill and enterprise available in India.

We also have:

- A widespread use of English language;
- A transparent legal system and rule of law;
- Respect for sanctity of contracts;
- And, above all, an unbroken record of fully honouring all international obligations.

India is poised for high all-round economic and social development. Today I seek your partnership in fostering this change—Partnership in participating in our prosperity.

Having recognised each other as “natural allies”, India and the United States are poised to vastly strengthen and deepen our bilateral relations in the new century. Let us build a strong foundation of Indo-US economic relations to support the beautiful architecture of our natural alliance.

May I leave you with the words of our great poet Rabindranath Tagore who said:

“Once we dreamt that we were strangers, we woke up to find that we were dear to each other.”

The Vision Statement signed between President Clinton and myself in March this year represents this new re-awakening. I seek your participation in realising this common dream. □

## New Opportunities for Global Investment

I value this opportunity today for an interaction with leaders of Iranian and Indian industry. The presence of a distinguished business delegation which has come from India and the participation of many senior Iranian businessmen augurs well. It indicates the complementarity which exists between the two economies. It also suggests a mutual recognition of the potential and new opportunities to strengthen economic and commercial links.

Indo-Iranian commercial relations are embedded in history. Indian spices, precious stones were valued in Iran for centuries. Similarly, Persian rose water and dry fruits were greatly sought after in India. In fact, I understand that Seiraf, Hormoz and some other Persian ports were initially developed to meet the requirements of Indo-Iranian trade. We need to rebuild on these historical links in today's new context. There is ample scope to do so.

Both Iran and India are moving ahead to improve the quality of life of their people and seek their rightful place in the global economy. India for nearly a decade continues to be among the fastest growing economies in the world with a GDP growth between 6-6.5 per cent. This coupled with modest inflation, a comfortable level of foreign exchange reserves and policies aimed at fiscal correction, indicates strong and stable macro-fundamentals.

Coupled with this, the progressive de-regulation of our economy has created new opportunities for private investment. This is particularly so in the area of infrastructure - Telecom, Roads, Ports, Power and the Energy sector. Our moderate rates of taxes, progressive reforms of financial and capital market makes

the large Indian market an attractive destination for foreign investment. In the recent Budget presented to Parliament at the end of February, the road map for the Second Generation Reforms has been articulated at length. They cover action ranging from fiscal policies, down-sizing of Government, Labour reforms, Tax Policy changes and improved management of our food economy. We intend to pursue these reforms with earnest and build a consensus across the political parties and with State Governments for an orderly implementation of these wide ranging measures.

I am conscious that the Islamic Republic of Iran, as part of its Third Economic Development Plan is also striving to transform its economy into a modern, international and competitive enterprise. Iran's new focus on development of the country's non-oil economy and reduce dependence on the oil-based economy offers new areas of co-operation with India.

Looked at an overall point of view, we should concentrate on five key areas:

First, the obvious - namely, co-operation in the field of Energy or rather Energy security. Iran's large energy reserves of oil and gas and the large Indian market to meet its energy needs is the most obvious area of complementarity. We import large quantities of petroleum crude from Iran both by the public and private sector. This demand would grow. In addition to this, the Indo-Iran Joint commission is studying all aspects relating to the Gas Pipeline from Iran to India. We must pursue these on-going deliberations with speed and vigour.

On the pipeline issue, we must ensure that the project is cost-effective and secure even while keeping all our options open. The feasibility study for the off-shore route should be completed expeditiously. The on-going projects on LNG should be monitored carefully and completed in the stipulated time. This will enable co-operation in the field of energy to bear early fruit. It will create a conducive environment and augur well for the more ambitious projects we have in mind.

The future of Asia would be greatly influenced by the manner in which countries in the region jointly harness their energy reserves to each others mutual advantage. The Indo-Iranian co-operation

in the field of energy can set a shining example in this area.

Second, co-operation and joint ventures in energy related activities need active encouragement.

We could think of projects like :-

- Setting up coastal-based Power Stations
- Value-added industries based on down-stream hydrocarbons like:
  - Petro-chemicals
  - Refineries
  - Fertilizers
- Ancillary industry based on the utilization of oil and gas need to be actively pursued.

Third, we must give a boost to bilateral trade. Total bilateral trade in 1999-2000, was a billion dollar with the balance of trade being in Iran's favour for the obvious reason of high value petroleum related imports. Apart from increasing exchanges in petroleum related products, we must look at other areas. India's non-oil imports are also not insignificant, comprising of sulphur, organic and inorganic chemicals and dry fruits. India's export of both traditional and non-traditional products is way below its potential. The Joint Business Council have identified key areas of action. While bilateral trade in the last one year has risen noticeably, I suggest that the Joint Business Council should set for itself an ambitious target and a credible strategy. Can we double the trade in one year and triple it in three years time? This is an ambitious but an achievable goal. India has achieved considerable sophistication in the production of wide range of goods and services from traditional items to consumer products and hi-technology based products. Both Iran and India are developing countries and have shared many common goals and approaches. We must pro-actively look at what we can supply to each other and can substitute our dependence of imports from the more developed markets.

For improving mutual access, I also suggest we examine the possibility of a Preferential Trade Agreement between India and Iran. If for enabling such an arrangement to effectively work a supporting financial and credit facility becomes necessary. We should be willing to consider and support such mechanisms.

Inadequacy of banking arrangements constitutes a handicap in the furtherance of our economic relations. I am given to understand that the Tejarat Bank of Iran has applied to the Reserve Bank of India, for opening a branch office in India. Governor, Reserve Bank of India informs me that this request will be considered and necessary permission would be accorded soon. We hope that this would be a reciprocal arrangement and would also enable an Indian bank to set up a branch office in Teheran. Such reciprocal banking arrangements would strengthen economic and trade arrangements. In the same spirit, we are also agreeable to offer a Line of Credit of 200 million dollars to Iran for supporting India's participation in Iran's Third Economic Development Plan, particularly supporting infrastructure projects. The terms and conditions of this credit facility can be worked out to the mutual satisfaction of both Governments.

These arrangements would send a powerful signal of our earnest desire to improve commercial links between the two countries.

Fourth, we must encourage co-operation in the area of New Economy and in the field of science and technology. This should cover areas like.

- Information technology
- Telecommunication
- Electronics
- Pharmaceuticals & Bio-Technology
- Co-opreative endeavours to utilize India's large reservoir of Engineers, Scientists, Technicians and skilled personnel.
- Development of Remote Sensing
- Communication Satellite and Launch Vehicles
- Oceanography

As is well known, India's information technology industry has received global recognition. Our software professionals and entrepreneurs both in India and in Silicon Valley, have established a global dominance in short period. I believe, that both India and Iran can benefit significantly from the strengths which we have established in this sphere. We are willing to provide our experience

in software development, training of human resources and infrastructure development to our friends in Iran.

Finally, encouraging Joint Ventures and Direct Foreign Investment. Some of the on-going projects reviewed at the last meeting of the Joint Commission needs an added momentum. This includes areas like expansion of fertiliser projects, provision of technical services through Indian Consultancy Organisations, investment in Free Trade Zones and enhancing co-operation in Railways and Shipping arrangements.

Iran has a strategic location to provide access to Central Asia and adjoining regions. In this context, the international North-South Transport Corridor agreement between India, Iran and Russia and the Tripartite Agreement between India, Iran and Turkmenistan offer unque opportunities for expansion of Indo-Iranian economic and commercial ties.

Both India and Iran are poised to play an important role in the development of Asia. I hope that the deliberations today would create greater awareness of the new opportunities which exists between the two countries. I also hope that the contact between the business communities of both the countries would enable them to grasp these new opportunities for enabling Indo-Iranian co-operation to realise its full potential. □

## Concerns of Developing Nations in the WTO Regime

I am pleased to participate in this international meet on an important and highly topical subject.

In less than three months from now, Doha will host the fourth Ministerial Conference of the WTO. The Governments of all the member-countries of the WTO have been preparing seriously for this conference. People around the world will be keenly watching its outcome, their keenness matched by the intensity of their hope that Doha will not be a repeat of Seattle.

In particular, people in the developing countries, who constitute a majority of the world's population, would like to see that their concerns would be squarely addressed in Doha. These concerns are being voiced from numerous and diverse platforms - both governmental and non-governmental.

A useful example is today's conference. I commend the Institute of Chartered Accountants of India for organizing it.

India's stand on the future evolution of the World Trade Organization is very clear. We have always been a votary of a well-regulated, rule-based multilateral trading system. We were a member of GATT since its inception and we are one of the founding members of the WTO.

We have always recognized that international trade can be a powerful engine of economic growth and social development around the world. However, this benign potential can be realized only if the world trading system is re-oriented to make it just, rule-based, non-discriminatory, and dynamic.

---

Speech at the International Conference on "Concerns of Developing Nations in the WTO Regime", New Delhi, 20 August 2001

The WTO is born into an unequal world, into a world divided among developed and developing countries. Amongst the latter, there are also the Least Developed Countries, whose combined population is significant.

Hence, the first mandate of the WTO was, and continues to be, to help bridge this developmental gap among nations of the world. The current inequalities and divisions, reflected in the poor human development indices of developing and least developed nations, are an affront to the collective dignity and ethical sensibilities of humankind.

Whatever may have been the historical causes for these inequalities, the new century can have no place for them. Therefore, India calls upon both the developed and the developing countries to collaborate to make the WTO work for the poor.

The new century has also brought another important global awareness to the fore. It is about the interdependence between the developed, developing and least developed nations. It has become impossible for the developed nations to sustain, leave alone increase, their levels of prosperity without making the developing countries their partners in collective progress.

It has also become apparent that this partnership cannot be defined by the old unequal rules of the game, but by the new, non-discriminatory ethic of equitable and mutually beneficial multilateral trade and economic relations.

It should be apparent to all that there cannot be equal treatment for all in a world that is essentially unequal. The principle of affirmative action justifies and demands reasonable protection for the developing nations and assistance for the least developed nations.

Six years of the existence of the WTO have not reduced the relevance of this principle in the least. On the contrary, the still unmet promises and unfulfilled obligations of the developed nations made in the Uruguay Round have cast the legitimate concerns of the developing nations into a sharper focus in the run-up to the Doha Ministerial Conference.

This is, indeed, the rationale for India's insistence that the

CC-0. Nanaji Deshmukh Library, BJP, Jammu. Digitized by eGangotri

incomplete agenda of the Uruguay Round should be first completed, before starting any new round of trade negotiations. India's position is shared by many developing nations, and also by many people in the developed nations.

At the same time, I would like to emphasize that India is prepared to engage constructively, and with an open mind, with the developed countries on all issues relating to global trade.

The chief concerns of the developing nations are well known and have been forcefully articulated both in bilateral talks and in international forums. We are not in favour of inclusion of non-trade issues, such as labour and environmental standards, which may furnish scope for misuse as non-tariff barriers.

We are also concerned about the high tariffs imposed by developed countries on those products in which developing countries have a competitive advantage. For example, India faces unfair tariff and non-tariff barriers in steel, textiles, clothing, and leather products.

India recognizes that protection of intellectual property rights is a legitimate concern of both developed and developing countries. We have recently modernized our patents legislation to make it compatible with the global trend and requirements.

However, an issue that should concern all of humanity is how advances in science and technology can affordably meet the basic needs of the poor and deprived. I am especially referring here to two concerns in the Intellectual Property Rights regime.

First, there should be no misappropriation of the biological and genetic resources, and traditional knowledge of the developing countries. It is necessary, therefore, to mandate that patent applications should reveal the country of origin of biological and genetic resources and traditional knowledge used in the product or process for which the Intellectual Property Right is sought, and furnish a letter of informed consent from their legitimate custodians.

Second, it must be recognized that affordable access to medicines, including latest medicines, for life-threatening diseases for people in developing countries is a universal human right. The Governments of these countries have a duty to ensure both availability and affordability for such medicines. The TRIPS

Agreement should thus enable every member country to take a broad range of measures for protecting and promoting healthcare, both preventive and clinical.

The noble objective of "Health For All" is too important to be left either to chance or to future WTO jurisprudence. This is why WTO members should collectively recognize and confirm the considerable degree of flexibility offered by the TRIPS Agreement in this regard.

It is by now well-established that the Uruguay Round did not bring about trade liberalization in agriculture to any appreciable extent. There were no significant reductions in domestic support or export subsidies by the developed world.

Although the Agreement on Agriculture gave detailed rules for international trade, it has had a limited success in opening the markets of the developed world to farm produce from developing countries. The expectations that the trade-distorting subsidies in agriculture given by developed countries would be reduced, have been belied.

Ours is primarily an agricultural society. Our farmers have two concerns, which also reflect the concerns of their counterparts in other developing countries. They, especially small and marginal farmers, would not like the WTO to expose them to unfair competition from subsidized exports and thereby undermine their livelihood security. At the same time, they would like to see all unfair barriers to their own farm exports removed. The same is also true about our small-scale and cottage industries.

While saying this, I am aware that India needs to take many steps to make our agriculture and our small-scale sector more competitive. I am confident that we can achieve this objective through an active partnership between the Central Government, State Governments, kisans, small entrepreneurs, and others.

The first-ever Conference of the Chief Ministers on WTO and Agriculture, which was held in May this year, was a very useful exercise. It has resulted in the creation of a standing committee to create awareness about both the challenges and opportunities of the WTO for our farmers.

The Tenth Plan will appropriately recast our various schemes and initiatives to enable our agriculture, small-scale sector, and industry to confidently face the new realities of global trade.

We have recently removed quantitative restrictions on a large number of products and there has so far not been any significant surge in imports of these products. We hope that the opening up of the economy will result in greater choice for the consumer as well as encourage the domestic industry to increase efficiency and enhance its productivity for remaining competitive in the market place. We will not hesitate to take necessary steps to curb import surges, or dumping by foreign suppliers, which hurt our own producers.

The mandated negotiations on the Agreement on Services have already started in the WTO. It is crucial that in respect of each sector, our national position is determined after a wide consultation with the concerned domestic stakeholders. India has filed a proposal on the strategy for liberalization of movement of professionals. We have also sought development of multilateral norms on recognition of professional qualifications.

Liberalization of trade in services will give India's well-qualified and globally reputed professionals many new opportunities in the global market. I am sure that our Chartered Accountants, like our IT professionals, will soon earn a name for competence and quality, by offering their services abroad.

Friends, there is a great need to create awareness about the WTO among all sections of our society. There are many misconceptions about the WTO, which sometimes give rise to unfounded fears and apprehensions. I would like the Chartered Accountants, along with other professionals, to play an active role in this mass education exercise.

Specifically, the members of your Institute and other professionals will have to build India's knowledge base and skills to effectively argue our case on different issues at the WTO. Here, as in several other areas, there is a big scope for cooperation with other nations, which share our interests and concerns.

I once again appreciate your initiative in organizing this conference and wish its deliberations all success. □

# Sharing the Same Language of Trade

It is a pleasure for me to address the business community of this remarkable city-State. There is no parallel in modern history of a city that fashioned itself into a sovereign nation only a few decades ago, charted out a novel economic strategy of export-oriented growth, converted this small, natural resource-poor land into one of the richest countries, and became a shining miracle of Asia and the world. It is a fitting tribute to Singapore that, on the basis of its citizens' average income, it is richer than its erstwhile colonial master.

The ability of your remarkable people to adapt successfully to the ever-changing economic environment is truly exemplary. But what is also impressive about the Singaporean growth model is the special role that the government and its top leadership - first under former Prime Minister Lee Kuan Yew and now under you, Prime Minister Goh - played in creating the right conditions for businesses to flourish and for entrepreneurs to convert their ideas into profitable businesses.

Both India and Singapore share the same language of commerce. Our entrepreneurs have a similar zeal to succeed. We have a similar legal and contractual system inherited from the British. Both countries have invested heavily in human capital and are fast becoming knowledge-centered societies.

Singapore is a manufacturing, trading, and financial services powerhouse, and is now focusing on hi-tech areas. Mr. Prime Minister, this is evident from your vision to transform Singapore into a "Knowledge Island". I am told that you wish to attract the best talent from the region and the world to sustain the miracle of

Singapore in the new competitive environment fast taking shape in this region. If that is so, then look to India for a fruitful, sustainable, and satisfying partnership.

As you are well aware, India too is making rapid strides in many hi-tech areas. Our software professionals, both those in India and Indians based in the United States, have shown their prowess in information technology. We are now focusing on biotechnology, bio-informatics, development of new drugs, and other sunrise areas of science and technology. We have a large network of research and development laboratories with a vast reservoir of well-trained and talented professionals. Already, several leading global players in the Knowledge Economy have set up large research labs in India using Indian talent to cater to their worldwide plans.

India also has top-class professionals in many other services from medicine to management and from engineering to legal consultancy. It would help Singapore if it further strengthened its services sector, to cater to the needs of the global economy using Indian professionals. Since quality education is going to be a key driver of the economy in the new century, we could also think of setting up extensions of India's world-recognized technology and management institutions here. These could attract young talent from around the world and train them to tap the high-value opportunities in the knowledge Economy.

Therefore, there is growing synergy between the future trajectories of economic growth of our two countries. Today business leaders from India and Singapore have a historic opportunity to join together to reconsider their business strategies to take into account our needs and your strengths - and also your needs and our strengths. Only then, will we be able to fully realize the immense potential for greater economic interaction between India and Singapore.

Some of this potential has already been realized, through ventures in sectors as diverse as container warehouses, hotels, residential complexes, ports, other construction projects and, most notably, information technology. But many more opportunities are waiting to be tapped.

This morning, we agreed to set up a Joint Study Group to consider a comprehensive Economic Cooperation Agreement between India and Singapore. This would help us engage more effectively over a broader economic spectrum including trade facilitation, customs cooperation, intellectual property, financial sector collaboration, etc. The Group will be set up within a month and we should aim at concluding the agreement within a year.

I have marveled at Singapore's success in becoming a major tourism destination. We have a lot to learn from Singapore, particularly in leisure tourism and conventions tourism. This morning, Prime Minister Goh and I agreed that our two countries could explore new ways of jointly promoting tourism. I am sure that this interesting idea will provide attractive new opportunities for businessmen both in India and Singapore.

Biotechnology is a specific area of immense potential for cooperation. I am happy to inform you that we have agreed this morning to set up an India - Singapore Biotechnology Park. This will help in shared research and commercialization in areas as diverse as pharmaceuticals, agriculture, food and drinks, manufacturing, and environmental technology. We have agricultural universities with huge captive areas of well-developed land, which your agro-biotechnology firms can use beneficially.

Today we signed a Memorandum of Understanding on cooperation in telecom. It is heartening to note that the possibilities in this field are already fructifying. A good example is the recent broadband undersea telecom link set up between Singapore Telecom and Bharti Telecom of India. India is one of the fastest growing telecom markets in the world, adding a thousand telephone lines an hour and I am confident that both of us will profit from greater investments from Singapore.

Singapore's economy has shown tremendous strength in difficult conditions, and is once again demonstrating the phenomenal energy of its businessmen. The Year of the Horse will hopefully see an end to the difficulties of last year. The Indian economy has also proved its resilience by maintaining a relatively healthy growth rate. In the financial year just ended, our economy is expected to grow by more than 5 per cent. Even during the Asian crisis of

1997-98, India's growth rate stood at 6 per cent. This shows the strong fundamentals of the Indian economy and point to India being a good destination for those making long-term investments.

Therefore, with both of our economies looking up, this is the time when we should reinforce our economic partnership to benefit from faster growth. Yes, total trade between India and Singapore has been steadily increasing. Last year it rose by 4.5 per cent to reach 3.9 billion US dollars. But, I am sure you will agree with me that we can do much more.

Further, in the recent past, with the opening up of the Indian economy and the ongoing liberalization of exchange control mechanisms, more and more Indian companies are looking to invest abroad. Singapore is one of the major destinations in this regard. Many Indian companies aim to set up shop in Singapore to take advantage of its position as a major regional hub and service center.

We want to promote trade and business not just between our two countries, but also with the entire South East Asian region. We are looking forward to the first India - ASEAN summit in November this year. It will help us to consider initiatives to promote our economic links with the ASEAN member countries. Just last week, India, Myanmar, and Thailand have decided to build a highway to link the three countries. This highway will go a long way in reviving the traditional economic and people-to-people contacts between India and our extended cultural neighbourhood in South-East Asia. Since Singapore is our largest trading partner in ASEAN, I am sure that Singaporean businessmen will benefit much from greater Indo-ASEAN trade.

I am aware of the perception among foreign businessmen that India is a "slow" place to do business in. A few unfortunate examples of unsuccessful partnerships in the past need not deter you from looking at the many more attractive opportunities in the future. Let me assure you that my Government is taking many steps to reduce the regulatory burden on businesses and to provide better infrastructure facilities. Many state governments too are carrying the reform agenda forward and trying to provide a congenial environment for business.

Let me also assure you that those companies that are prepared to invest for the long-run in India are already reaping the benefits. Just look at the many companies from our fellow Asian country of South Korea who have achieved substantial sales in India, in a short time. Some of their brands have become household names in India.

We have allowed 100 per cent foreign direct investment in urban infrastructure, integrated townships, and urban mass rapid transport, in all of which Singapore is a world leader. Therefore, we hope to see much more actual FDI flows from Singapore than the present cumulative total of merely 400 million US dollars. This, you will agree with me, is too low. I may incidentally point out that this is less than one-third of the total approved direct investment from Singapore so far.

Let me also say here that my Government is committed to maintaining the direction of economic reforms, and to creating a more attractive FDI regime. For example, under the new Exim Policy announced just a few days ago, we have made our Special Economic Zones even more appealing for foreign investors. I would like to invite Singapore's entrepreneurs to have a close look at these Special Economic Zones, which we are confident will act as a catalyst for further growth. In implementing this new policy, we would like to benefit from your expertise and experience. What Singapore has done in Pudong outside Shanghai, we want you to replicate, in some places, in India, by not just investing in SEZs, but in actually running them.

Since land is a scarce resource in your country, our new policy on SEZs offers you an opportunity to create mini-Singapores outside Singapore. You have the capacity to synergize with Indian partners, particularly in the private sector, to provide infrastructure and other facilities to own and operate SEZs, according to your business plans. Our recent budget has permitted developers to import duty-free equipment, for putting up SEZs. We have also relaxed the rules for import of second hand plant and capital equipment, which should encourage Singaporean industries seeking to relocate elsewhere. All this is bound to bring unique economic benefits to your investors. Such SEZs would also create more

employment opportunities in India, which is the over-riding objective of our economic policies.

Friends, earlier in my remarks I referred to the many similarities between India and Singapore. I would like to mention one more important similarity. Both our two countries are multi-ethnic and multi-religious. Singapore is home to a large number of People of Indian Origin. They too belong to different regions, religions, and linguistic communities in India. This diversity is the proud source of India's unity and strength.

I wish to reassure this audience that we in India remain committed to protecting and further strengthening the ideals of peace, harmony, and social cooperation, which are the cornerstones of stability and progress of any nation. Let not some of the recent unfortunate happenings in India create any unease in you. India has the resilience and the civilizational genius to overcome these aberrations.

In conclusion, let me thank all of you for your interest in furthering economic interaction between India and Singapore. I wish to especially thank you, Mr. Prime Minister, for the consistent support given to businessmen in both countries by your government. I applaud your vision. I look forward to seeing our mutual partnership strengthen and flourish in the years to come. □

# Promoting Economic Integration Between India and ASEAN

It is a great pleasure to be with you this morning for this first India-ASEAN Business Summit. It is a valuable forum for networking and exchange of business experiences between policy makers and business leaders from ASEAN and India. This interaction, both here and in Hyderabad, should contribute important inputs for the India-ASEAN Summit in Cambodia, just over two weeks from now. Economic co-operation is a crucial pillar of the India-ASEAN relationship. As in the case of the India-European Union dialogue, I believe that the Business Summit should become a traditional curtain raiser for the India-ASEAN Summit. ASEAN already has a long tradition of industry-Government partnerships. We should inject such joint endeavours also into the India-ASEAN relationship.

I extend to our ASEAN guests a very warm welcome to India. I specially appreciate the presence amongst us of the Deputy Prime Minister of Thailand and the distinguished Ministers from Cambodia, Laos, Malaysia, Singapore and Vietnam. Later today, the Prime Minister of Malaysia will address a special session of this Summit. There is impressive representation from business and industry of all the ASEAN countries. The fact that so many of you have taken time off from your busy schedules to be here speaks volumes for the commitment to India-ASEAN economic relations in ASEAN business and Governments.

India and South-East Asia have shared much in centuries past. The varied history of our interaction has permeated our societies and enriched our cultures. This includes a rich sea-faring

tradition, which brought us in close contact through trade. In more recent times, our paths diverged as we followed different models for development. The Cold War also cast a long shadow. We remained friendly neighbours, but with differing political outlooks and economic orientations.

The passing of the Cold War and the launch of India's economic reforms about a decade ago, dramatically altered this picture. We have developed a common interest in a multipolar, plural world. Our political dialogue and economic interaction have intensified. India became a sectoral dialogue partner of ASEAN in 1992, full dialogue partner in 1995, and a member of the ASEAN Regional Forum in 1996. The commencement of regular Summit-level India-ASEAN dialogue next month will be a new watershed in this growing relationship.

India's geographical proximity to ASEAN is often not grasped fully. We have maritime borders with Thailand and Indonesia. Our Andaman and Nicobar Islands are very close to some ASEAN countries. In recent years, with the expansion of ASEAN, we have moved even closer. We now share a land border of about 1600 kilometres with ASEAN in Myanmar.

Friends, it is often said that the 21<sup>st</sup> Century will be the Asian Century. This is not mere rhetoric. The centre of gravity of the world is shifting gradually, but decisively, towards the Asia-Pacific. In one form or the other, Asia is set to dominate the politics and economics of this century. We have a sound, objective basis for this belief in Asia's future. Asia has the population numbers and the market sizes. It has a growing number of urban centres with world-class infrastructure. Fundamentally, however, it is Asia's human capital, which is the core reason for this optimism. Our rapidly expanding middle classes boast a wealth of professional skills, scientific talent, and abundant business enterprise. The skills and work ethic of our industrial workers is legendary.

Asia's strengths are evident in the new economy. Our countries missed the Industrial Revolution, because many of us were under colonial domination at that time. But we are today at the forefront of the knowledge Revolution. From information

technology to genetics, from pure science to biotechnology, Asian professionals and scientists have won worldwide respect. Our proficiency in the knowledge-based economy has given us the unique opportunity to accelerate our progress and to catch up with the developed countries in a foreseeable timeframe. Friends, India and ASEAN have a historic opportunity today to promote this process to mutual benefit by exploiting the synergies between them.

Trade is the backbone of any economic relationship. Our two-way trade of less than 10 billion dollars does not do justice to our population of one and a half billion people producing a trillion and a half dollars worth of goods and services annually. Our businesses need greater awareness of opportunities. The two-way flow of information has to be accelerated. This requires active relations between our chambers of commerce, and regular exchanges of business delegations.

Over the past decade, ASEAN has made rapid progress towards internal integration through the ASEAN Free Trade Area. There are other existing and potential regional arrangements in Asia-Pacific. I believe India and ASEAN have a mutual interest in the working towards beneficial preferential and free trade arrangements. We need to look at conventional, as well as innovative mechanisms, to promote economic integration. India is already committed to reducing its peak tariff rates to East - Asian levels within the next three years. We are continuously introducing measures for improving market access, harmonization of standards and simplification of documents. We seek reciprocal measures from our partners. We see a Regional Trade and Investment Area as a near-term objective of India-ASEAN economic relations.

The present global economic slowdown provides an immediate context for our closer regional integration. The western economies which have been the mainstay of Asia's foreign investment and export-led growth today face uncertain prospects of recovery in the near future. Meanwhile, India continues on an uninterrupted growth trajectory averaging economic growth of about six per cent. We should therefore build on the complementarities between the Indian and ASEAN economies. This can also cushion us against

the impact of a downturn in external markets. Each of our countries has achieved expertise and even dominance in certain areas of technology. It is crucial that we cooperate by complementing our respective strengths, rather than undercutting each other. By pursuing these objectives, India and ASEAN can become mutually reinforcing engines of growth and development.

Our countries have benefited from the vast expansion of trade, investment and economic cooperation in the wake of globalization. But we also note its uneven benefits, among and within nations. Globalization cannot be sustained as a one-way quest for developing country markets by the products and capital of the developed world. We need greater equity and a larger share of the fruits of globalization for developing countries. These socio-economic goals can be promoted through sub-regional cooperation which pays special attention to the needs of less developed areas in a region. In this context, India attaches the greatest importance to the initiative for ASEAN integration. We have launched human resource development programmes in Cambodia, Laos, Myanmar and Vietnam under this initiative. We would be happy to expand into more development projects in these countries. Specifically, we have offered our assistance for a communications network involving highways, railways, river navigation and port facilities.

It is with the same perspectives that India has supported Mekong-Ganga Cooperation bringing together Cambodia, Laos, Myanmar, Thailand, Vietnam and India. We are also implementing another sub-regional initiative for a road link connecting India, Myanmar and Thailand. In all these projects, there is scope for participation by private business, along with the Governments.

India has also consistently supported such cooperative ventures to promote development within SAARC. Although we have been foiled in this effort by unrelated political obstacles, we are now focussing our attention on sub-regional cooperation within SAARC, as well as regional and sub-regional cooperation with groupings like ASEAN. The subcontinental size of India's market and the wealth of its resources make it a credible economic partner for regional and sub-regional organizations.

One of the strengths of the economic bonds between India

and ASEAN is that investment flows have been in both directions. Whereas India's links with Europe and America have been mainly as a recipient of investment, Indians have been investing in South-East Asia over the past four decades. Indian or Indian-origin entrepreneurs today own the world's largest palm oil refinery in Malaysia, one of the largest carbon black manufacturing units in Thailand and a number of large textile units in Indonesia. These examples could be multiplied. All these investments took place well before India's economic liberalization in the nineties. The pace of Indian investment in ASEAN is poised to increase rapidly with our liberal policy framework combined with the obvious advantages of the ASEAN Free Trade Area.

A major pillar of the economic success of several ASEAN countries is their excellent infrastructure. In power, urban municipal services, airports and roads, ASEAN countries are well-equipped and their companies globally competitive. India's relative weakness in this sphere provides a further complementarity between us. I am happy that this Summit will pay special attention to identifying opportunities of mutual interest in this sector.

I would like to briefly dwell on the future direction of India's economic reforms. Very recently, while talking to the European business community I had referred to the current fashion of comparing economies to creatures like dragon, tigers and elephants. Like an elephant, the Indian economy may be somewhat slow to get her momentum but when it does so, it is unstoppable and irreversible. I assured our European business friends that such hiccups as they may see in our liberalization process, are only the democratic process of reconciling divergences and achieving consensus. Our reform process continues to target high growth with balanced and equitable development. Our ambitious GDP growth target of 8 per cent exhorts us to stay on this path. There can be no looking back. I would also like to assure my ASEAN business friends that we are making every effort to make our policies more investor friendly, using e-governance to tackle the problems of cumbersome procedure, paper work and bureaucracy. We hope a transformation will soon be evident.

Friends, my remarks today would not be complete without

a reference to the barbaric terrorist act in Bali last week. This inhuman act calls for the harshest condemnation. Your Summit also cannot ignore the negative impact of such terrorist acts on business climate in the affected country and in the region. I had the pleasure of visiting Bali last year and of savouring its unique cultural charm. Our hearts go out to the shockingly large number of innocent tourists and local people, who perished in the bomb attack. We in India have been the victims of such terrorism for a long time. Governments alone cannot effectively fight this grave danger to world peace and human civilization. The time has come to broad base the struggle against terrorism and religious extremism. The business community in India and the ASEAN region will have to play an active role in this struggle.

The diversity and openness of our societies are the proud features of both India and ASEAN. We are home to major religions of the world, and accommodate diverse ethnic, cultural, artistic and spiritual traditions. We must preserve this precious heritage of pluralism. It helps us to mediate conflict with compassion, understanding and democratic dialogue. Needless to add, this unique ability of our societies also has obvious economic and business spin-offs. Let us turn this shared heritage into a strong weapon against terrorism and the mindset that breeds it.

I wish you productive deliberations in New Delhi and in Hyderabad. I hope your work will lead to concrete business and exchanges and tie-ups. I also wish you success in making this dialogue a productive institutional mechanism to enhance the economic component of the India-ASEAN Summit. □

## **Towards a Vibrant Indo-Russian Economic Relationship**

This is a landmark event in the history of India-Russia commercial relations. India and Russia have a time-tested relationship, which is marked by close political understanding, strategic convergences, defence cooperation and cultural affinities. There has also always been a strong economic dimension to our relationship, but its content has largely been determined by Government facilitated trade and investments by our State-owned enterprises.

Today, it is a pleasure to see that nearly 100 senior Indian businesspersons have travelled to Moscow for my visit, and have received such an enthusiastic response from Russian business and industry. It signals the encouraging prospect of a new vigour in India-Russia trade and investment relations, which would be driven by the private business and industry of the two countries.

The wider macro-economic picture is very encouraging. Both India and Russia are dynamic economies with tremendous potential for growth. India is a large and growing market, with a large pool of excellent human resources and a favourable demographic profile. Russia has enormous natural resources as well as acknowledged scientific and technological excellence. Both have made impressive progress with structural reforms in recent years, blessed with a broad policy consensus and inspired by the desire to occupy their rightful places in the global economy.

The facts speak for themselves. During a period of major economic slow down around most of the globe, India and Russia have continued to grow. In fact, by the yardstick of average GDP

growth during the last four years, both countries are among the top ten performers in the world. Equally importantly, the growth in both our countries has been broad-based, covering both the domestic and external fronts. Both countries are today in the forefront of developing and introducing cutting edge technologies. Our advances in the knowledge-based industries have transformed our economic landscapes and developed new capabilities and synergies.

We have both achieved expertise and even dominance in certain areas of technology.

The new dynamism in India's economy is receiving more and more attention around the world. In the last ten years, GDP doubled; and we hope to redouble it in less than a decade. India is today the fourth largest economy in the world on purchasing power parity. Our external reserves are over US\$ 90 billion and are increasing by a billion dollars every two weeks. We are rapidly reducing our external debts, even by repaying them before they are due. This year alone we have already pre-paid over three billion dollars. Inflation is low and interest rates are on a declining curve. There is a strong increase in business confidence in recent months. Foreign trade is growing at double digit rates.

The world is also beginning to recognise the quiet revolution in the integration of the Indian economy into the global mainstream. Indian enterprises are achieving global scales in quality and output. India has become a production base and export hub for a range of products, from agricultural goods to automobile components to high-end services. Indian firms are now part of global production chains - importing sub-assemblies, adding value to them and re-exporting them. Corporations from all over the world are establishing themselves in India for manufacturing and services. Taking advantage of its pool of high-quality scientific talent, they have also established large R&D centres in India. India is one of only three countries to have indigenously built super computers and one of six countries in the world that build and launch satellites. A few months ago, we launched a satellite into geo-stationary orbit. We plan to send a spacecraft to the moon in the next five years.

In many areas of this Indian success story, there is a strong Russian connection. Particularly in the early decades of our Independence, we received the most valuable assistance from the Soviet Union in the establishment of our infrastructure and heavy industries. Both in our space programme and in the peaceful applications of nuclear energy, India owes a strong debt of gratitude to Russian scientific and technological assistance. Our close collaboration in scientific and technological research and development has extended to diverse disciplines. You would be amazed at how many scientists and engineers in India, specially of the older generation, can speak or understand Russian! This longstanding, robust and multifaceted bilateral engagement is the firm base on which we seek to build a more modern economic edifice. We need a concerted joint effort to invigorate the traditional economic relationship and to intergrate it with market determined forces.

Our bilateral trade has been largely conducted under the framework of a rupee-rouble agreement from Soviet times, and a subsequent credit repayment agreement. While this has been a steady relationship, It has also been limited in its flexibility. Our existing annual trade level of under \$ 1.5 billion does not correspond to the transformations in our economies.

Our two Governments are acutely conscious of this anomaly. When President Putin visited India last year, we signed a Joint Declaration, which spells out our shared vision for a new dynamism in the India-Russia economic partnership. We recognized that there is huge untapped potential, not only for an exponential growth of bilateral trade and investment, but also for jointly exploring other markets through pooling of resources. With our vast resource base and intellectual capital, Russia and India should jointly explore avenues for generating and meeting demand on a regional and global basis. Business and industry should take this up in their own commercial interest. A number of core sectors can be easily identified for focused cooperation. They include machinery and equipment, IT and telecom, automobile components, gems and jewellery, food processing, tourism, pharmaceuticals and energy.

Information Technology is a glaring example of unutilized

bilateral opportunity. India is today one of the world leaders in IT and IT-enabled services. Our annual exports in this sector are nearly US \$ 10 billion - most of it to Europe and America. Russia has a large and sophisticated IT market, and yet India's IT exports to Russia are negligible. Quite often, Russia has been importing these products from Europe, which have been sourced from India at much lower cost. The middleman benefits, the consumer loses.

India is today undergoing a qualitative transformation in its infrastructure. We have launched an ambitious project which involves building or upgrading about 15,000 km of highways, which would link our major metropolitan centres and provide improved connectivity to our rural areas. We are upgrading our port facilities; modernizing our airports and building new metros. We are improving the efficiency of our power generation, transmission and distribution. In the last few months, India has been adding nearly 2 million mobile telephone connections every month. Russian companies, which have both the expertise and the spare capacity in these industries, have not yet fully grasped the opportunities for contracts in various infrastructure projects in India.

Energy cooperation is another key area of interest. Russia has emerged as one of the leading suppliers of energy and India is one of the largest and fastest growing markets for energy. Indian companies are keen to invest in energy projects covering upstream, midstream and downstream areas. India's investment of about US \$ 1.5 billion in the Sakhalin Oilfield illustrates this. Our companies have also significant investments in the oil and gas sector in Sudan and Vietnam. There is an India-Russia synergy for projects within our countries and in third countries. Our business communities should take the initiative for an Energy Forum between India and Russia.

Connectivity and transport linkages are crucial inputs to trade and economic collaboration. The new multi-mode North South transport corridor, which links India to Russia through Iran and Central Asia, provides an important cargo route between the two countries. Goods are already moving from India to Russia on this route. Russian exporters should also explore this route, so

that it becomes more economically viable. It will also provide the incentive for upgrading infrastructural facilities on this route.

A sector of great potential in India-Russia collaboration, and one which has been somewhat neglected, is small and medium enterprises. In India, this sector which has contributed significantly to employment, development and exports. Small enterprises in India extend from relatively low-tech, labour intensive industries to high-tech areas, including Information Technology. Today, India's pharmaceuticals industry has achieved national self-reliance with high quality medicines at affordable prices. This achievement was mainly due to our small pharmaceuticals enterprises. We know that Russia is now devoting attention to the development of small and medium enterprises. I was happy to learn that the Russian Public Organization of Small and Medium Size Enterprises has just concluded an MoU with our federation of Indian Chambers of Commerce and Industry to explore synergies in this vital sector. Our cooperation can span a wide spectrum, such as training, exchange of experts, management, supply of machinery and equipment and even turnkey execution of projects.

Mutual investment flows is an important pillar of a vibrant economic partnership. Both our countries are attracting increasing flows of foreign investment. Our firms are also looking for investments abroad. It is time that Indian and Russian firms availed of more opportunities in each other's country. Our major bilateral investments - the Sakhalin Oilfield in Russia and the Kudankulam Nuclear Power Plant in India - illustrate the benefits of mutual collaboration. We need to broad-base investment flows. This also needs closer links between our banks and financial institutions. The establishment of commercial branches of banks in each other's countries should be a priority goal.

India-Russia economic cooperation has extended to multilateral forums. Both our countries support the strengthening of multilateral institutions to sustain a balanced and equitable global economic order responsive to the needs of our countries. We have actively supported Russia's accession to the WTO, not only in the spirit of our strategic partnership but also in the firm belief that Russia's membership would bring balance and strength

to the WTO. India and Russia can play an important role, in concert with other major emerging markets, in encouraging the WTO to operate for the common benefit of all its member countries.

India and Russia have developed strong bonds of friendship and cooperation over many decades. Our shared political perspectives, convergences of strategic interest and our cultural affinities have been the foundation stones of our strategic partnership. A dynamic and multifaceted economic partnership provides a secure underpinning to the other elements of this relationship. It is in the hands of the business community to strengthen this underpinning. There are objective factors propelling you towards this objective. □



## MISCELLANEOUS

MISCELLANEOUS

# Towards a Hunger Free India

It gives me great pleasure to be here with you at this inaugural session of the consultation on "Towards a Hunger Free India". I compliment the Planning Commission, the World Food Programme, and the M.S. Swaminathan Foundation for this commendable initiative. This is a unique instance of the coming together of the Government, an international agency, and a non-governmental organization to deliberate on a critical challenge before our nation - namely, how to ensure Food for All.

Democracy and hunger cannot go together. A hungry stomach questions and censures the system's failure to meet what is a basic biological need of every human being. There can be no place for hunger and poverty in a modern world in which science and technology have created conditions for abundance and equitable development.

India has progressed on many fronts since Independence. We have achieved self-sufficiency in food, even though our population has more than trebled to cross the one billion mark in five decades. I compliment our hard working kisans and our agricultural scientists for increasing the growth rate in food production from 0.3 per cent a year in the half century before Independence, to 3 per cent in the half century since.

We have sufficient stocks of food grains. No one needs go hungry in this country. Nevertheless, it is true that many millions of our countrymen still go hungry to bed every night. Malnourishment, especially among women and children, is widespread. We are determined to change this situation. In this, we are guided by the commandment of the *Upanishad*:

---

Speech while inaugurating the Consultation on "Towards a Hunger Free India," New Delhi,  
24 April 2001

अन्नं बहु कुर्वीत्  
*Annam Bahu Kurvit*

It means: "Multiply food production manifold. Ensure an abundance of food all around."

While we need to substantially increase our food production, we are faced with the paradoxical problem of surplus food stocks. There is also the related problem of substantial quantities of food being wasted. This has happened because of inadequate attention in the past to its storage, preservation, processing, and proper distribution.

I am reminded here of the proverbial *Akshay Patra* - or the inexhaustible plate - in the Mahabharat. The plate was blessed with the powers of producing unlimited food, provided no part of it was wasted. What this metaphor teaches us is that, India can produce enough food to feed all her citizens and much more, but no part of it should be wasted.

The Government has drawn up policies and schemes to address all the critical issues in efficient food chain management. We are providing many incentives and facilities to farmers, their cooperatives, and to private entrepreneurs to set up godowns, silos, cold storages, and food processing units.

Few people outside Government are aware that India has the world's largest officially supported food and nutrition security programme. This initiative encompasses the public distribution system with its elaborate system of production incentives, marketing support, buffer stocking, and distribution, it also includes nutrition supplements to young children and mothers, mid-day meal schemes, food grants to the destitute, and food for work programmes for the working population.

We have doubled the allocation of food to all poor families under the PDS. The Antyodaya Anna Yojana, which is a new scheme for the poorest ten million families, gives a sharper focus to our commitment to reduce hunger.

To a great extent, these interventions have addressed the problem of access to food, both physical and economic, and have provided a basic safety net to our people. However, there is still

a long way to go before we can assume that all our people are food secure at all times.

Regional and seasonal variations, fluctuations in the purchasing power of the poorest households, natural calamities, etc. all combine to create conditions for continuing food insecurity to large sections of our people. The challenge before the Government is to devise its strategies in such a manner so as to be able to anticipate and provide for these conditions of insecurity and ensure year-round food security at the household level.

In this regard, the comprehensive document on food insecurity in rural India being released today is most timely. It complements the Government's own efforts over the past few years to target subsidized food more accurately at the most needy regions and groups.

The high cost of managing our food stocks is a major problem in the way of reaching cheaper food to a greater number of needy families. There is an urgent need to ensure that the Central Government's annual food subsidy, which has gone up five times in a decade to reach Rs. 13,000 crore this year, is better targeted.

One way to reduce costs is to decentralize the buying and distribution of food. Instead of one agency, the Food Corporation of India, buying food at one price, and then moving it to States, this year's budget has proposed to give individual States the freedom to buy food from anywhere and to distribute it themselves. The Centre will provide financial assistance for this purpose.

I hope that this measure will encourage our State Governments to take creative steps to buy the cheapest food that they can get from the nearest sources and distribute it in the most efficient way possible. This will ensure that the Central subsidy can benefit more poor people than is the case today.

I must, however, point out that the implementation of the PDS is not living up to the people's expectations. Our Targeted Public Distribution Scheme does not seem to be working well at many places - especially in the poorer north and north-eastern States. The limited off-take in the States where the majority of our poor live, points to serious deficiencies in the administrative

capability of the system. I urge the concerned State Governments to effectively remedy this situation at the earliest.

Even the implementation of free food provided to schoolchildren under the mid-day meal scheme leaves much to be desired. This is a matter of serious concern. We owe it to the nation to run and operate all our beneficiary programmes in a cost-effective manner.

I believe that the shortcomings at the implementation level can be overcome by ensuring greater people's participation and monitoring. Our Panchayati Raj institutions and other citizens' organizations have to play an active role in making these laudable schemes successful.

We shall examine whether the surplus food stocks can be used in innovative ways. For example, to promote female literacy programmes and attendance in schools. India would be happy to learn from the experience of such exercises undertaken elsewhere under the auspices of the World Food Programme.

Friends, the responsibility of mitigating the hunger of the poorest of our brethren cannot be that of the Government alone. Concerned citizens and non-governmental organizations can contribute immensely to the success of our "Food for All" mission. As a matter of fact, they are already engaged in many admirable initiatives. I especially applaud the countless mass-feeding activities conducted by religious institutions, belonging to all communities.

We in India have a long tradition of Anna Dan - giving and sharing food. The full potential of this noble tradition has not been realized in modern times. Therefore, a specific idea I would like to place before your consultation is how we can activate mass-feeding programmes by religious and social institutions on a far wider scale. They are especially needed in times of natural calamities. I assure you that the Government would facilitate and support such activities in all ways it can.

I shall conclude by stressing my belief that the sacred mission of a "Hunger-Free India" needs the cooperative efforts of the Central and State Governments, local self-government bodies, non-governmental organizations, international agencies, and - above

all, our citizens. We can indeed banish hunger from our country in a short time. Let us resolve today to make this mission substantially successful by 2007, which will mark the sixtieth anniversary of our Independence. □

## Reform in Critical Sectors of Economy

This meeting of the Trade and Industry Council is taking place in the shadow of the sad demise of Shri Dhirubhai Ambani last week. He was an outstanding entrepreneur. Starting from humble beginnings he created a business group that is world-class in capacity, quality and productivity. He dared to think big. Through his own example, he inspired many Indians to be self-confident in their ability to translate their dreams into reality.

To Mukesh, who is a member of our Council, and to his bereaved family, we send our condolences.

I am pleased to welcome a few new members to this Council. They include the new Presidents of CII. Shri Ashok Soota; and of FICCI, Shri R.S. Lodha. They also include Shri Shashi Ruia and Shri Sanjeev Goenka, who now comes wearing his personal hat, not that of CII.

While on this round of welcoming new faces, how can I forget our new Finance Minister - Shri Jaswant Singhji. I am sure that our economy will further prosper in his strong and able hands.

Shri Jaswant Singhji has inherited the economy in a good shape, which will, believe me, only get better in the months to come. As all of you know, in the past year there has been a significant improvement in the economic situation. The agricultural sector grew at 5.7%. The GDP grew at 5.4%, up from 4% in the previous year. This year, it is expected to grow beyond 6%. There has been unprecedented price stability. Inflation is around 2%. Forex reserves have grown to \$ 58 billion, which provides more

than 13 months of import cover - the highest for any country excepting China.

Yes, we are aware of the problems facing Indian industry. In the past four years that we have been in office, you have known that ours is a responsive Government. I assure you that we shall continue to respond to your concerns. The new Finance Minister has already begun the process of consultations. He will certainly take your views on board as he gets cracking.

What we should avoid, however, is the tendency to exaggerate the negative and bypass the positive. For example, a couple of years ago, there was a lot of attention on reports of starvation in Kalahandi in Orissa. Does anyone hear those reports now? No, because we have increased the provision of foodgrains to the poor - and that too at cheaper rates - and also streamlined the distribution system. Besides, last year, India exported 110 lakh tonnes of foodgrains and early Rs. 5,400 crore in foreign exchange. I can tell you that some countries are getting worried about India soon emerging as a major exporter of agricultural and horticultural products.

Our kisans have achieved this feat against many odds. Our workers, managers and entrepreneurs, too, are notching up heart-warming results in many fields against heavy odds. We have the happy example of our auto and auto component industry, our pharma industry, our cement and construction equipment industry, our IT-enabled services, and several others, which are all adapting themselves to the challenging environment of competition, both internal and external.

In some areas, such as housing and telecom services, the high growth is a direct result of our policy reforms.

I am giving these examples to drive home the point that, as a nation, we must believe in ourselves. We must believe in the path we have chosen. And we must unreservedly accept that the only way we can move faster along this path is by moving together - in cooperation, in partnership, between the Government, the business community and the people.

Indeed, look how fast the reforms have moved. Despite the situation on the borders, neither the pace of economic and policy

reforms, nor the implementation of key infrastructure projects has slowed in any way. Apart from the Bills to be considered by the Council today, the Convergence Bill for Telecom and IT; the Competition Bill; the Patents Bill; the Amendments to the Civil Procedure Code; the Ordinance for Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest are some examples of legislation accomplished or underway. I appeal to all political parties to help us conclude our legislative agenda fully in the forthcoming Monsoon Session of Parliament.

Similarly, reform of fertilizer pricing; dismantling of the Administered Pricing Mechanism for petroleum products; reduction in scope of the Essential Commodities Act; reducing price control on pharmaceuticals; and withdrawal of the Milk & Milk Products Order are a few examples of reforms accomplished through Governmental action.

The process of disinvestment has now crystallized into a transparent, non-discretionary process. The returns have exceeded the most optimistic expectations. It has also appreciably increased the value of PSU equities. Apprehensions on security of employment after disinvestment have been shown to be without foundation.

We will further accelerate disinvestment of PSUs, except those in strategic sectors. We will relinquish Government involvement in production, and raise resources for development of our social sector.

The complexion of the highway network in India is rapidly changing with the implementation of National Highway Development Project. Similarly, the Pradhan Mantri Gram Sadak Yojana and the Sampurna Grameen Rozgar Yojana, besides others, have the potential to transform the rural sector beyond comprehension. We intend to soon launch a similar big initiative for the modernization of Indian Railways.

The Cabinet has decided to vigorously pursue labour reforms. Now the report of the Second National Labour Commission has also been received. I appeal to all the major political parties for

a consensus on labour reforms, so that we can soon give effect to the consensus through appropriate legislation. Above all, these long-delayed labour reforms will create more employment opportunities, thus fulfilling our shared objective of achieving growth with jobs.

All these measures will certainly help boost productivity in Indian industry and services. However, businesses too need to take many steps to increase productivity - especially in the manufacturing sector - to globally competitive levels.

The Tenth Five-Year Plan has commenced. It will chart the roadmap for investment plans over the next half-decade, thereby enabling the private sector to reap the full benefit of economic reforms.

The Government is conscious of the need to attract larger volumes of Foreign Direct Investment. I hope that the Expert Committee in the Planning Commission would submit its recommendations soon. It is necessary to have an appropriate legal and institutional framework for increasing the flow of FDI.

Government has recognized that announcements are only as good as their implementation. I remember that all of you have stressed this point in the previous meetings of this Council. We have taken two significant steps to address this imperative. One, about 100 major infrastructure projects have been identified for fast-track implementation, and are being monitored by the Cabinet Secretary.

Secondly, I have set up a Cabinet Committee on Economic Reforms to develop the "Priority Agenda" for policy reforms across different sectors each year, and to monitor its implementation. The proposed Priority Agenda for the present year is being worked out by the Committee of Secretaries, and will be shortly placed before the CCER for consideration. You will be pleased to know that many of these proposals have their origin in the reports of your Council and the Economic Advisory Council.

While on the issue of reforms, let me reiterate a point I have often made in the past. For the Indian industry and economy to rise to their full potential, it is not enough for the Government

alone to reform its policies and practices. Businesses too must reform themselves. The principle of Good Corporate Governance is the touchstone of your commitment to reforms. Recent reports of accounting scandals elsewhere in the world are beginning to worry a lot of people about the bombshells hiddeen in the boom-time economy. We cannot allow people's faith in economic liberalisation to be shaken by those who do business with an ethical deficit.

As you have already been informed, this meeting of the Council will specifically focus on two major reform legislations; the Electricity Bill and the Petroleum Regulatory Bill. You are well aware of the problems in these two areas. This consultation during the implementation phase of reform programmes is a natural evolution from the earlier phase, when inputs were sought from the two Councils on developing macro level and sectoral reform agenda.

I am sure that your ideas and suggestions will greatly help us in moving forward with the implementation of reforms in these two critical sectors of the economy.

Now, I invite you to present your remarks.



## Healthy Capital Market — The Pulse of a Growing Economy

I am very happy to be here with all of you this morning.

India has had a long and indigenous tradition of savings and entrepreneurship. Even when India was not free we were always quick to adopt and develop the most contemporary ways to channel savings into profitable business ventures. No wonder, we set up the first stock exchange in Asia. I have a pleasant memory of my visit to Jeejebhoy Towers, the home of the Bombay Stock Exchange, when it celebrated its 125<sup>th</sup> anniversary. The tall building of BSE is in many ways a symbol of India's aspiration as well as potential to be a leading economic power in the world.

The Indian economy has proved its strength and resilience. Ours is one of the fastest growing economies in the world. Today, I pay tribute to the contribution of the capital market to the remarkable growth of Indian businesses. Many of them have proved their worth in the face of adverse business conditions as well as tough international competition. Their growth was fueled by the money that they raised on the stockmarket. The confidence they created led to a rapid expansion of the investor community in India. Terms like Sensex began to be talked about even in small towns. Therefore, the present lull on BSE and NSE should not blind us to the intrinsic strengths of our capital market.

At the same time, the prolonged quiet in the stockmarket has tested the confidence of the small investor, who is the backbone of the securities market. If investors are not attracted, then companies will not be able to raise money through the capital market. The Indian household investor, of late, has been putting

much of his savings in non-financial assets. Even within financial assets, most of the savings are going to the banking system. This is not the best or the most productive use of our savings. Therefore, we should all make concerted efforts to motivate savers and investors to put their money into shares and bonds so that the economy benefits through a vigorous and dynamic capital market.

Today, it is pertinent to ask ourselves why is the investor shying away from the market? The core issue is investor confidence. To build this confidence, we need to make people aware of the different investment options available in the market. They should also be made aware of the regulatory safeguards that we have recently put in place to protect their legitimate interests, including ensuring SEBI's independence and professionalism.

It is for this reason that I wholeheartedly commend SEBI for launching a nationwide awareness campaign for the first time. It is especially heartening to note that the campaign is directed at small investors. Large individual or institutional investors do not need such campaigns. They have access to all the sophisticated information that they need. It is ordinary savers who need to be attracted to the market; and once attracted, retained despite the normal ups and downs that are natural to this type of investment.

Today India can boast of one of the most modern capital markets in the world, where almost all trading is paperless. Information and communication technologies have enabled investors, including small investors, to buy and sell shares almost instantaneously, wherever they are.

However, while the technology and the regulatory framework of capital markets has improved, I am pained to say that the standards of corporate governance have not kept pace. Of course, we have several companies that have become role models of good corporate governance. These companies have earned national and international acclaim.

However, there are also many more companies that often use questionable and even illegal means to achieve their ends. In recent years we have come across far too many instances of companies that have raised money from the market by creating hype and then defrauding their investors. Many of them issued

shares at a hefty premium; most of their scrips are now trading well below their face value. Stockmarket scams brought a bad name to the Indian business community.

This is how boom became bust and hopes turned to dust for many gullible investors. And this is how the investor community lost confidence in the market, leading to prolonged stagnation. This is how investible savings turned to non-financial assets or safe bank deposits. The fact that very few companies have tapped the primary market in recent years is certainly a cause for worry.

The travails of UTI must have caused heartburn to millions of small investors, especially those from the middle class and senior citizens. Our government has recently completed a major revamp of the UTI, in which we have taken every care to protect the interests of small investors.

Therefore, we have to learn the right lessons from our experience of the past few years. We need markets that known for their safety and integrity. We need knowledgeable investors. And we need to build a sustainable, high-growth economy, which will ensure better living conditions for our people, now and in the future.

I quote here from Kautilya's *Arthashastra*, "The root of wealth is economic activity and lack of it brings material distress. In the absence of fruitful activity, both current prosperity and future growth are in danger of destruction." Even in the 21<sup>st</sup> century, Kautilya's words are relevant. A high rate of domestic savings, channeled into productive investment are important to achieve the eight per cent growth in GDP that we have set for ourselves in the Tenth Plan. Indian industry needs large capital to attain this growth rate. For that, we need to encourage present savers to save more and also to bring in new savers.

With economic liberalization and globalization the market is becoming more important, and foreign investors have also become major players in India. In a deregulated market, the regulator has to be highly alert and alive to new developments, both domestic and overseas, that can take place.

I want you to make sure that financial security should not be the privilege of a few but can be the hope of every Indian

citizen. Financial literacy is an essential tool to turn this hope into reality. While expanding financial literacy, my first advice to you all is to make sure that your investor awareness campaign has no jargon and complexities.

My second advice is for you to bear in mind that India is a diverse country with different languages. Most Indians do not know English. But that does not mean that they do not have investible savings. Many of our rural areas have become thriving centres of prosperity. Therefore, you need to introduce this financial literacy campaign in all regional languages and in Hindi. Here you should work closely with the dynamic and fast growing regional media, both print and electronic.

Investor education is not the domain of the Government or the regulator alone. Investor associations, stock exchanges, and companies also play a major role in making investors more aware of their rights and in helping investors to make informed investment decisions by educating them about new instruments and products through seminars, workshops, and training programmes.

I urge all of you present here—regulator, market intermediaries and investors to join hands to make our capital market the safest place to invest in the world. □

## Caring for Women

I am pleased to be with you this afternoon at this very important conference. I see your conference as being important for two reasons. Any meaningful activity that focuses our attention on poverty is important because eradication of poverty continues to be the biggest challenge before our nation. But its importance is enhanced by your commendable effort to highlight the gender aspect of poverty.

Poverty hurts. It hurts poor women more.

But this is only one part of the truth. The other part is that in spite of suffering more under poverty, women can play a bigger role in eradicating poverty and making the life of the family and society better, if they are empowered.

It is well known that women's creative power is far more benign and far more uplifting than men's. I for one have never ceased to be amazed at the extraordinary qualities of women in general but especially poor women - their capacity to face odds, their ability to find solutions to the problems of daily life, their caring and cooperative approach to others, and their interesting management capabilities. Just see how even an illiterate woman works as a good manager, when it comes managing her meager household budget, despite all constraints. When a man has a little surplus in his pocket, he normally spends on himself. A woman spends it on the family.

Thus, when women create material value through their economic activities, they also add to the social and moral *values* of life. These are the great qualities that have made women the main carriers of culture and the main sustaining force of civilizations.

Therefore, our fundamental approach to Gender and Poverty should be such that we view women not only as a part of the problem of poverty, but also as a part of the solution - indeed, a very important and unique part of the solution.

Today it is all too obvious that, to find an effective solution to the problem of poverty - including poverty-related problems of women - we have to mainly rely on the informal sector of our economy. This is true not only for India, but almost all the developing countries in the world.

The general assumption in the 1950s and the 60s was that the problem of poverty and unemployment could be dealt with by mainly promoting the growth of industry and agriculture through the right mix of policies and programmes. It was also assumed that, over a period of time, the traditional sector comprising cottage industries, small trade, etc., also would get absorbed in the formal sector of the economy.

This assumption has not stood the test of time. Today neither the government sector nor the organized industry can generate significant number of employment opportunities, although both are crucial for raising the growth rates of the economy higher. Even in rural areas, much of the employment is no longer directly farm-based. Both in urban and rural areas, informal services, informal production and informal trade have become the main sources of employment, self-employment and entrepreneurship. Hence, the informal sector of the economy should not be viewed as a marginal or short-term phenomenon. It is here to stay.

It is estimated that 93% of India's total workforce - that is, 370 million - is now in the informal sector. And one-third of workers in the informal workforce are women- vendors of fruits and vegetables, bamboo workers, makers and sellers of *diyas* during Diwali, rag-pickers who make a useful contribution to the recycling business, and an incredibly wide range of economic activities.

We should also recognize that the size and the scope of the informal sector have vastly expanded - not shrunk - because of the forces of liberalization and globalisation. For example, the rate of outsourcing that we see in this sector greatly overshadows

the outsourcing in the IT sector. Yet, it remains in the shadows because it does not get reported, analysed and highlighted in the same way as outsourcing in IT.

We have to admit that our system as a whole is not yet adequately sensitive to the problems and prospects of this very important part of our economy. I specifically mention the word "prospects" because we have not yet paid sufficient attention to the wealth and assets being created in this sector. There are economists who argue that the enormous amount of value created in this sector is not fully reflected in our national statistics because most of this economic activity is not registered, not accounted and not measured in any formal way. They also argue that by providing a proper legal status and basic infrastructure and institutional support, even a tiny enterprises can become more productive and employ more people.

Today the informal sector is associated with low incomes, low - very low legal protection --, low credit provision, low education, low inputs of science and technology, and above all very *low voice* in the media and governmental structures. This sector is also characterized by high instability, high risk and high vulnerability. And poor women are far more vulnerable to harassment and apathy of the external environment than men.

For example, all it takes for a roadside vendor to find a heart-breaking hole in her hard-earned income is for a petty employee or officer to collect his weekly or monthly extortionist *hafta* from her. Poor men also face these poverty-accentuating excesses, but poor women find themselves far more helpless in such moments, when their basic right or earning a livelihood is infringed upon.

Therefore, the challenge before all of us who have gathered here is this how to evolve a holistic and effective strategy to transform the informal sector into the main driver of income-enhancing and life-fulfilling opportunities for employment, self-employment and entrepreneurship. I would say that this strategy has to become central - and not a peripheral - part of our Agenda of Economic Reforms in the coming times.

In the past few decades, both the government and non-governmental organizations in India have tried to address this issue. A lot of useful experience and knowledge has been gained. Many successful interventions have been made. For example, I think that our successes in micro-financing have not been adequately projected - either inside or outside the country. Our banks have supported more than one million Self-Help Groups so far. The most successful among them are those run by women.

The Rural Employment Generation Programme of the Khadi and Village Industries Commission has provided financial and institutional support to a large number of women entrepreneurs. We have many social security schemes for the unorganized sector, and we shall soon expand their scope in a comprehensive way. I must also acknowledge here the good work of the National Women's Commission and the Central Board of Social Welfare in highlighting the issues of women's employment and development in the informal sector.

Organisations like SEWA have been doing praiseworthy work in supporting women artisans and entrepreneurs. In addition, there are also thousands of other NGOs spread across the length and breadth of our vast country who are engaged in securing the rights and improving the conditions of the poor in the informal sector.

Poverty has indeed reduced significantly as a result of economic reforms. I have also observed the excellent results are achieved wherever the local administration, banks, NGOs, self-help groups, and small entrepreneurs have worked closely together.

Nevertheless, our successes in this field are small so far compared to the enormous challenge we face. As I said, we need a holistic and scalable strategy to fully realize the poverty alleviation potential of the informal sector. We should remember that what works in one place and one part of the sector does not necessarily work in another place and another part. Therefore, our strategy has to be suitably decentralized and differentiated.

I therefore suggest that the Ministry of Finance, in collaboration with other ministries, banking and financial

institutions, and non-governmental agencies, prepare a broad Action Plan for promoting the poverty eradication potential of the informal sector. Gender issues should be a specific focus of this Action Plan. Naturally, in doing so, we should suitably incorporate the successful experience of other countries in this field.

I shall conclude my remarks by emphasizing one all-important point. We may have the best of policies, programmes and action plans. And we must have nothing but the best ones. But we must also remember that these will work only when those who implement them have a little care and compassion for the poor, when they have a feeling for the suffering of women, when they understand the tremendous creative power of ordinary women, and when they realize the nobility and destiny-changing potential of their work.

I heartily congratulate the Women's Political Watch, National Council of Applied Economic Research and other institutions for organizing this "Gender Poverty Summit". I inaugurate this Conference by extending to all of you my best wishes. □

## Pravasi Bharatiya - A Catalyst for Rapid Change

...We are aware of the slow progress in several areas of our social sector development, but we are determined to move faster than before. All in all, we are guided by the ambitious goal of making India a Developed Nation by 2020, free from all vestiges of poverty and full of opportunities for all our one billion people.

We would like to create an environment in India which will make you want to return, not just for sentimental or emotional reasons, but in the conviction that you can excel in this country as much as you would anywhere else in the world.

I believe that the Pravasi Bharatiya can be a catalyst for rapid change in this direction. Each of you, through your network of friends, relatives and acquaintances can create a strong urge for change in India. Our collective attention needs to be rescued from the sterile controversies and trivial issues that dominate the headlines, and focused on the real tasks to be accomplished, so that India can catch up with the developed world.

At the same time, you can project the truth about India to the world in a credible and effective manner. Misleading, one-sided and negative pictures are often put out due to bias, ignorance or design. Your familiarity with the Indian reality and with the perspectives of your adopted society equips you to correct such misrepresentations. You could project a positive image of India—not as propaganda, but as a true reflection of the reality on the ground.

For example,

- India continues to have one of the fastest growing economies,

- at a time when most developed economies have slowed down.
- Our exports grew by 19 per cent, in spite of a global slowdown and a strong rupee.
- Till recently, India needed to import food grain to feed its population. Last year, we exported food grain worth over 60 billion rupees to 25 countries.
- About a decade ago, we had to mortgage our gold to tide over a difficult Balance of Payments crisis. Today, we have record foreign exchange reserves of nearly 70 billion dollars. How often have we seen such facts quoted outside the country? It is far more likely that mindless political gasp or isolated acts of crime and violence would dominate the headlines around the world.

India has been deeply appreciative of the support of the Pravasi Bharatiya community, at times of need. Whenever India has faced a challenge to its security or to its territorial integrity, you have tirelessly championed its cause. When there was an effort to isolate India after our nuclear tests of 1998, you came forward to stand by India. Your enthusiastic response to our Resurgent India Bonds in 1998 helped us raise over 4 billion dollars, when we needed it most.

Many of you have been generously helping the schools, colleges, IITs and universities, as their grateful alumni. I commend this gesture of Guru Dakshina. Some of you have met me with interesting suggestions on how to expand the scope of Pravasi Bharatiya involvement in the development of India's educational infrastructure. The Ministry of Human Resource Development has also taken some initiatives in this direction. Since education is going to be one of the main competitive strengths of India in the emerging Knowledge Society, let us work together to seize the opportunity.

In this context, I will take the luxury of offering a word of advice. The Indian community abroad often reflects the diversity, which is the hallmark of our society here. We are proud of this diversity — whether it is linguistic, religious or regional. Groupings like the Telugu, Tamil, Punjabi and Marathi associations serve a useful purpose in preserving linguistic skills and regional cultures.

But it is also necessary to strengthen the broader Indian identity in the country of your residence. When you are united as Indians, your voice carries greater weight: both for highlighting issues of your concern in your host country, and for promoting Indian causes. This is a truth of great long-term significance for Indian communities everywhere.

The idea of celebrating the Pravasi Bharatiya Divas annually flows from the recommendations of the Committee. The revised and improved scheme for PIO Cards is also based on the ideas of the Committee.

Indians who have chosen to settle in foreign lands should be loyal to their country of adoption. The biggest challenge facing every immigrant community is to integrate harmoniously into the political, economic and social life of the host society, while preserving and cherishing its civilizational heritage. Over the years, Indians have achieved this delicate balance virtually everywhere, without a contradiction between their adopted citizenship and their original Indian identity.

It is in this background that my government has decided to accept the High-level Committee's recommendation to permit dual citizenship for People of Indian Origin living in certain countries. We are now working on the administrative regulations and procedures governing dual citizenship. We will introduce the necessary legislation during the Budget Session of Parliament.

The NRI of today is the Pravasi Bharatiya of tomorrow. The welfare of NRIs in the Gulf region is of utmost concern to us. A compulsory insurance scheme for Indian workers migrating to this region will be unveiled shortly. Parliament is already considering a bill to establish a welfare fund for the overseas Indian workers. To meet the educational needs of children of workers in the Gulf, we plan to reserve a certain proportion of seats in our academic institutions for the children of the Gulf NRIs.

Our preparations for this first Pravasi Bharatiya Divas, and the encouraging response to it, have convinced us of the fruitfulness of this event. We will continue to engage closely with the

communities of Indian origin. For this, we are setting up an Advisory Committee, which will meet periodically to suggest new initiatives to the Minister of External Affairs.

We are prepared to respond to your expectations from NAD. We invite you, not only to share our vision of India in the new millennium, but also to help us shape its contours. We do not want only your investment. We also want your ideas. We do not want your riches, we want the richness of your experience. We can gain from the breadth of vision that your global exposure has given you.

When you left the country, you carried with you the primary colours of the Indian ethos. A cross-fertilization of cultures over time has added new shades to those vibrant hues. Today we invite you to brush in some of these new colours into the ever-evolving canvas of India's development.

मित्रों मैं भी समाप्त करने से पहले कुछ हिन्दी में कहना चाहता हूँ :

विदेश में देश की शान बनाई,

भारत की पहचान

सदा हमारे दिल में बसते कैसे कहें मेहमान

दूर-दूर जाकर भी भूल ना पाये मां का प्यार

इस मिट्टी की गंध बिखेरी सात समन्दर पार।

भारत मां के बेटों का है, भारत में सत्कार,

जब जी चाहे तब आ जाना सदा खुले हैं द्वार।

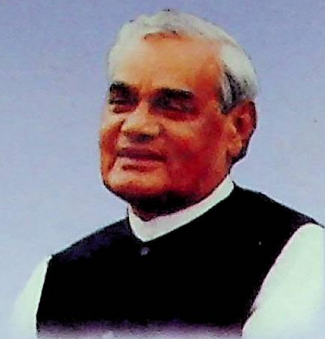












*India is marching towards a bright future. We have our share of problems. But these cannot hide the brightness on the horizon. It will be a future free of poverty and all other vestiges of underdevelopment. The day is not far when every region, every community and every citizen in our country shall enjoy the fruits of India's prosperity and progress. If we want, and if we act unitedly to get what we want, then this energising goal can be achieved within the span of a generation...*

*A. B. Vajpayee*



PUBLICATIONS DIVISION  
MINISTRY OF INFORMATION AND BROADCASTING  
GOVERNMENT OF INDIA

ISBN : 81-230-1177-6

Price : Rs. 150.00